Austria Sch22	Indonesia Rp3100	Portugal Esc100	Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10	Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30	Denmark DKr9.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon L£225.00	Switzerland SFr2.20	Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bht50	Germany DM2.20	Mexico Peo900	Tunisia Din0.800
Greece Dr100	Morocco Dh8.00	Turkey L500	Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00			

FINANCIAL TIMES

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Indonesian migrants in struggle for survival, Page 28

World News

Thatcher warning on S Africa sanctions

Mrs Margaret Thatcher, the British Prime Minister, yesterday made it clear that it was not the task of the Commonwealth to oblige member states to follow common policies.

The Prime Minister's statement at the opening session of the Commonwealth Heads of Government meeting in Vancouver was intended as a warning that she would not accept more severe sanctions against South Africa just because they were demanded by the majority of other member states. Earlier story, Page 4

Flight ban upheld

The US Supreme Court rejected an appeal by South African Airways against a US Government ban on flights to America by the airline, imposed as part of a sanctions package against apartheid. Australian ban, Page 3

Task force expands

A five-ship Belgian-Dutch mine hunting squadron sailed through the Suez Canal to join an international naval task force in the Gulf. A Kuwaiti newspaper reported that China agreed to reflag Kuwaiti oil tankers and that the agreement would require a Chinese military presence in the Gulf. Children bombed, Page 3

M'Bow still ahead

Mr Amadou Mahtar M'Bow, director generalof Unesco, was still ahead in the third round ofvoting by the Unesco executive board. But Mr M'Bow again failed to secure the necessary absolute majority to secure renomination as director. Page 28

Frigate doubt

The UK Government was wavering over whether to join seven allies in Nato's first common programme to build a major warship. Page 2

Legal controls

Public exasperation with public sector strikes in Italy prompted an initiative which could lead to the first legal controls on the right to take industrial action. Page 2

EC threat lifted

The European Parliament lifted the threat of imminent insolvency from the EC budget, clearing the way for Ecu4bn ($3.5bn) in agriculture payments to be delayed until 1988. Page 2

Third candidate

Norway said it would accept a third candidate for the post of Nato secretary-general in a last-ditch attempt to prevent West Germany's Manfred Woerner from getting the job

Manila strike widens

About 6,000 workers marched toward the presidential palace in Manila to press demands for higher wages but backed down faced with police carrying tear gas. More unions announced plans to join the work stoppage spearheaded by the 650,000-strong May 1st Movement, the country's most militant labour federation.

Tariff revenge

The US Government was expected to announce punitive tariffs against key Brazilian exports in retaliation for Brasilia's refusal to grant an import licence for computer software. Page 4

Taiwan travel

Taiwan's Prime Minister, Yu Kuo-hwa, confirmed that his Government would soon permit humanitarian visits by Taiwan residents to China. Page 3

Chemical arms deal

Moscow said it would be willing to reveal the size of its chemical weapon stocks if the US and other countries did the same. Page 2

Honecker in Belgium

East German leader Erich Honecker began an official visit to Belgium, the first by a head of state from the communist country.

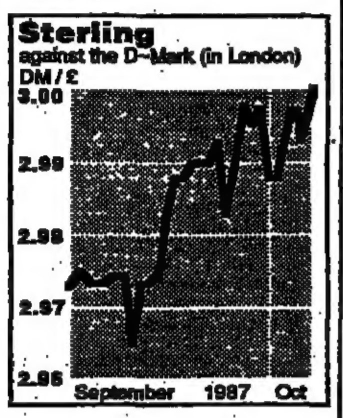
Business Summary

IBM ahead after jump in software revenues

IBM, world's largest computer maker, reported its first year-on-year rise in profits in the past six quarters as a sharp rise in revenues from software helped offset slower growth in hardware sales. Page 29

MERRILL LYNCH, New York brokerage firm, set the stage for a weak show of third-quarter financial results from Wall Street houses with a report of flat earnings from operations in the quarter to September. Page 29

STERLING closed in New York at $1.646. It fell in London to $1.6470 ($1.6535); to Y236.50 (Y236.75); remained unchanged



at SFr2.4650 and fell to FFr9.89 (FFr9.9025). The pound's exchange rate index fell 0.1 to 73.3. Page 38

DOLLAR closed in New York at DM1.8225, FFr6.07, SFr1.512 and Y143.2. It rose in London to DM1.8210 (DM1.8130); to Y143.70 (Y143.25); to SFr1.5090 (SFr1.5025); and to FFr6.0650 (FFr6.0425). On Bank of England figures the dollar's exchange rate index rose from 100.7 to 101.1. Page 38

GOLD fell $2.65 on the London bullion market to $459.75. It also fell in Zurich to $459.65 ($462.00). Page 38

WALL STREET: the Dow Jones industrial average closed up 26.72 at 2508.16. Page 48

LONDON: Firmer bonds lifted equities in a technical rally after a steady opening. Glaxo, which fell steeply on Monday, continued to slide, hurting other blue chips. The FT-SE 100 index closed up by 11.7 at 2,350.2 and the FT Ordinary index added 12.2 to 1,847.4. Details, Page 46

TOKYO: Large-capitals lifted share prices to a record as investors returned. The Nikkei stock average gained 115.98 to 26,400.60. Page 28

BAT INDUSTRIES, world's largest private sector tobacco company, is to spend $300m over the next five years on expansion of Saks Fifth Avenue, the New York-based chain of 44 high-fashion stores. Page 28

TIME, large US publishing and cable television group, reported a strong advance in third-quarter operating income thanks to a sharp improvement in the performance of its key magazine division. Page 29

HUMANA, struggling US health care and hospital group, returned to profit for the quarter and year to the end of August after a disastrous foray into health insurance. Page 29

PARIBAS, recently privatised French investment bank, is to take over Paris's leading equities stockbroker, Courcoux-Bouvet. Page 30

AIR JAMAICA terminated a lease-back arrangement with Guinness Peat Midland, a subsidiary of the GPA Group of Ireland, repossessed the four aircraft involved and sold them to a US company in another lease-back agreement. Page 29

NCR, large US computer and business systems company, had net earnings of $97.8m ($1.05 a share) in the third quarter, 33 per cent up on the $73.4m or 75 cents it made the year before.

TRACTABEL, major Belgian holding company with interests in energy, telecommunications and cable television, will tomorrow announce details of a major rights issue. Page 30

Costa Rican President wins Nobel Peace Prize

BY ROBERT GRAHAM, LATIN AMERICA EDITOR, IN LONDON

PRESIDENT Oscar Arias of Costa Rica was yesterday awarded the Nobel Peace Prize for his "outstanding contribution" in seeking to end the conflict in war-torn Central America.

The 46-year-old Costa Rican leader had been little fancied for the award, with most attention focusing on the names of President Corazon Aquino of the Philippines and Mr Nelson Mandela, the jailed black African leader.

However, the Oslo-based Nobel Prize committee chose President Arias because of the way his initiative led to the formal adoption of a peace plan by the five leaders of Central America at the Guatemala summit on August 7.

President Reagan congratulated President Arias on being awarded the prize.

"The award should inspire us all to renew our efforts to ensure that enduring peace and democracy eventually come to the (Central American) region."

But members of his Republican party criticised the award as premature, saying the peace plan had yet to prove the best means of achieving peace and freedom in Nicaragua, and could damage the cause of the US-backed Contra resistance.

Mr Thomas Downey, a New York Democrat, said the award was a profound message to the Reagan administration that it was "alone in its support of the Contras as a way of bringing democracy to Central America".

The peace plan has acquired a dynamic of its own although many serious hurdles need to be overcome - in particular reservations held by the Reagan administration.

The award was yesterday seen as a boost to the moral authority of the plan, making it more difficult for Washington to oppose.

Having seen the efforts of the four-nation Contadora Group founder, President Arias felt more could be achieved by laying less emphasis on security issues in a peace plan and greater stress on democratisation. He also believed an initiative was better coming from a country within the region.

But even when the plan had been formally unveiled last February, he doubted in private whether progress could be made because positions were so entrenched.

He has shown tremendous persistence, managing to meet Mr Reagan twice and carrying out an extensive European tour.

President Arias, a London University economics graduate, has succeeded so far largely because of his own manifest impartiality. He has refused to be pushed around by the US (including the refusal to Col Oliver North, the now disgraced special operations chief at the White House, of landing facilities for the Contras).

Oscar Arias

Ronson charged with conspiracy and theft of £6m from Guinness

BY CLIVE WOLMAN IN LONDON

MR Gerald Ronson, chairman of the Heron Corporation, the UK's second largest private company with an estimated £1bn ($1.65bn) of petrol stations and other property, yesterday became the fourth person to be arrested in connection with the Guinness affair.

He was charged with eight offences, including the theft of more than £6m from Guinness and common law conspiracy to create a false market in shares.

This is the first time that such a conspiracy charge has been brought since 1878. He was also charged with accepting from Guinness an indemnity against loss in return for buying shares in the company in breach of section 151 of the Companies Act.

Mr Ronson, aged 48, and his solicitor Lord Mishcon, the Labour peer, yesterday morning walked around from Lord Mishcon's offices in Holborn, central London, to the nearby police company fraud department. He had agreed to answer questions from the fraud squad detectives about his role in buying Guinness shares during its £2.5bn takeover of Distillers, the UK drinks group, 18 months ago.

On his arrival, however, he was placed under arrest and after several hours of questioning was charged and released on bail into the custody of his solicitors, Victor Mishcon and Co. He is due to appear before Bow Street magistrates court this morning.

The charges all relate to his involvement in the Guinness takeover battle. In a letter in January to Sir Norman Macfarlane, the Guinness chairman, Mr Ronson admitted that he was paid £5.8m by Guinness for agreeing to buy up to £25m of Guinness shares during the takeover battle.

Of the payment, £800,000 was an indemnity to cover losses on holding the shares and the remaining £5m was a fee. Mr Ronson returned the £5.8m to Guinness with the letter. He said that "he did not focus on the legal implications of what had occurred" and that he wished to be completely frank.

He has now been charged with submitting falsified invoices, which may have been deceptive or misleading, for these payments and with the theft of a total sum of more than £6m. Allowing for currency translation differences, this sum was made up of payments from Guinness comprising $4.8m to the Pima Service Corporation, a US subsidiary of Heron, and £2.875m to the Heron Managements Ltd for services in the year to March 1987. The invoice from Pima purported to show that the $4.8m was for professional advice in connection with the Distillers takeover.

Mr Ronson has been one of the UK's most successful businessmen. After entering his father's furniture business at the age of 15, he became a millionaire eight years later largely as

Continued on Page 28
Takeover ambitions, Page 6

Former Guinness chief denies 37 new charges

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LONDON

MR ERNEST SAUNDERS, the former chairman of Guinness, the international drinks group, yesterday vowed to clear his name after being charged with 37 new offences relating to the Guinness takeover of Distillers.

Ten of the new offences with which Mr Saunders was charged yesterday morning by London's Metropolitan Police fraud squad officers investigating the Guinness affair alleged theft of a total of £21.067m ($34.76m) and $4.8m from Guinness.

After a brief appearance at a London magistrates court yesterday afternoon, Mr Saunders told reporters: "The mere idea of charges that involve the word stealing - that is, in the vernacular, putting a hand in the till and taking out any of the Guinness money - is absolutely appalling and absolutely untrue.

"I have stolen nothing. I have nothing. I have absolutely nothing to hide. My conscience is clear."

The new charges against Mr Saunders, who already faced charges of intent to pervert the court of justice and destroying and falsifying documents, were summarised in court yesterday by Mr Victor Temple, prosecuting.

He said there were 10 allegations of theft, 10 of false accounting, 10 of procuring the execution of a valuable security, two of common law conspiracies to manipulate the market in securities and five of enabling Guinness to provide financial assistance for the purchase of shares.

Mr Saunders was remanded on bail until November 3, when he is due to make another appearance on the three earlier charges. The bail conditions imposed earlier remain. They include two sureties of £250,000, given by Mr "Tiny" Rowland, head of Lonrho, the international trading group, and Mr Herbert Heinzel, a family friend of Mr Saunders and head of Heinzel (London & Vienna), manufacturers of frozen cakes.

Mr Saunders is forbidden to contact any past or present employees of Guinness except through solicitors.

His passport must be surrendered to the police but can be

Continued on Page 28

Saunders talks to the Press

IN a rented room in London's Waldorf hotel, Mr Ernest Saunders yesterday held what he called "a family tea party."

Speaking to pressmen, the former chairman of Guinness defended his past, painted a bleak picture of his financial future and hinted at conspiracies in high places against him.

"I have nothing to hide," he said. "I deny all the charges.

"The portrayal of me in the role of a world tycoon with yachts all over the place is just crazy."

Details, Page 5
Guinness chronology, Page 6

Bonn tax plan worries industry

BY DAVID MARSH IN BONN

CONCERN that the West German Government's planned 1990 tax cuts package could end up increasing tax levies on industry was voiced yesterday by the Confederation of West German Industry (BDI).

Mr Tyll Necker, the BDI president, said a reduction of about DM4bn in tax breaks for industry, decided last weekend, took away from companies as much as they stood to benefit from the 1990 programme.

Furthermore, he said, there was a "high danger" that local government authorities would increase locally-levied commercial taxes on industry from 1990 onwards to offset their own shortfalls in tax receipts. This would leave the industrial sector worse off than at present.

Underlining the difficulties of Mr Gerhard Stoltenberg, the Finance Minister, in winning acceptance for his tax proposals, the financing plan has come under attack at the same time from trade unions and the opposition Social Democratic Party. They claim it gives too many benefits to higher-paid employees and discriminates against lower-income workers.

Mr Franz Steinkuehler, chairman of the powerful IG Metall metalworkers' union, said unions would be launching a protest drive against the plans.

The Government at the weekend agreed reductions in tax subsidies of more than DM17bn to help finance the overall plan to cut taxes by DM39bn in 1990.

Mr Necker pointed out that industry's share of the extra burdens involved in financing the tax cuts was more than 20 per cent, while it was receiving only about 10 per cent of the overall DM39bn handouts in

Continued on Page 28

Gorbachev hits out at officials for reform delay

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL Gorbachev, the Soviet leader, yesterday strongly attacked Communist Party middle ranks for their failure to implement change 2½ years after reforms were first proposed.

He said in Leningrad that the heads of party organisations might behave more democratically in public, but at heart they had not changed.

Speaking at the Smolny Institute, the 1917 Bolshevik revolution headquarters, Mr Gorbachev levelled his attack against the main party organisations of economic enterprises as well as cities and provinces.

"Everybody needs a chance to undertake restructuring and we gave them that chance for 2½ years," he said, speaking of party leaders in city and countryside. He accused them of having offices like palaces "with parquet floors and carpets."

He said that despite all the changes boiling up in the country "it is very quiet in those palaces where people sit alone in their offices with their secretaries."

The attack on middle-ranking Soviet officials is in line with several recent newspaper articles saying that nothing has really changed since Mr Gorbachev took over and accusing them of being the main barrier to successful reforms.

"Why are we scared to remove and punish those people at the middle level of the economic, party, government, trade union and even Komsomol apparatus who say they are for reconstruction, but are actually sabotaging it?" wrote Mr Sergei Baruzdin, editor and novelist.

Although clearly frustrated that successful economic and social reform is being smothered, Mr Gorbachev denied that he was inciting a popular attack on the bureaucracy.

"I am not calling upon people to fire on headquarters as in China because restructuring cannot do without officials," he said.

It was in a speech at the Smolny Institute on in May 1985 that Mr Gorbachev made his first speech calling for radical change. His address yesterday evidently sets the agenda for a prolonged although largely covert struggle between him and officials in charge of the day-to-day administration of the country.

● Mr Jerzy Urban, the Polish Government spokesman, said yesterday that failure to vote in a national referendum on economic reforms would be "a vote against the democratisation of political relations" in the country.

Political sources said Mr Urban appeared to be anticipating any attempt by the banned Solidarity free trade union to organise a boycott of the vote on November 29.

The union, which has yet to take a view on the referendum, sought a boycott of parliamentary elections in 1985 and claimed it was widely observed.

Mr Urban said that the poll, in which Poles will be asked to sanction sharp price increases, would be "a plebiscite for democracy or against democratic development."

Mr Lech Walesa, the union's leader, said: "We want this referendum to be a real one and not just talking about prices. If our demands are not taken into consideration, we will have to take a clear position." He did not elaborate.

Testing time for Kremlin, Page 2

Casualties rise on both Indian and Tamil sides in Jaffna

By John Elliott in New Delhi and Robin Pauley in London

ADVANCING Indian troops tightened their military grip around the Sri Lankan Tamil stronghold of Jaffna yesterday, but again met heavy resistance from entrenched rebels as casualties mounted on both sides.

An Indian official in Colombo said 27 Indian soldiers had been killed and 141 wounded in four days of battles in northern and eastern Sri Lanka against Tamil Tiger guerrillas fighting for an independent Tamil homeland. The official said about 200 rebels had been killed and 270 captured.

A leading politician from India's southern state of Tamil Nadu last night claimed that Mr Velupillai Prabhakaran, leader of the Tigers, was willing to negotiate with the Indian Government if the military offensive was halted.

In another development, Sri Lanka and India stepped up naval patrols in the Palk Strait between India and Sri Lanka to stop Tamil militants escaping or shipping weapons to their embattled Jaffna Peninsula bases. The Indians claim to have intercepted Tamil radio messages appealing for help from the 50m Tamils in the southern Indian state of Tamil Nadu.

Indian troops, supported by tanks and heavy artillery, pushed steadily from the north, east and west towards the centre of Jaffna, the island's third largest city, as the Tigers put up a determined resistance.

The Indian official alleged that Tiger guerrillas prevented civilians from fleeing to safety and used them as "human shields" to mask operations.

The Tigers said in a statement in Vavuniya, about 160km south of Jaffna, that they had captured one Indian soldier during fighting at Jaffna University and recovered the bodies of 40.

The statement said two Indian helicopters and an aircraft bombed and strafed the university grounds, killing 28 civilians and wounding 72. There was no independent confirmation of either sides' claims because Jaffna has been closed to journalists.

The suggestion that Mr Prabhakaran - having violently scuttled the July peace accord between India and Sri Lanka designed to bring years of ethnic violence on the island to an end - might now be willing to negotiate, coincided with the first open opposition to the offensive from Tamil Nadu.

The message was publicised by Mr M Karunanidhi, president of Tamil Nadu's DMK opposition party, who added his own personal call for an "immediate cessation of the present war".

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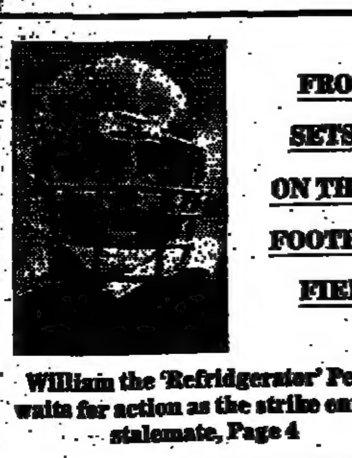

FROST SETS IN ON THE US FOOTBALL FIELD

William the 'Refridgerator' Perry waits for action as the strike enters stalemate, Page 4

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Italy may act to restrict right to strike

BY JOHN WYLES IN ROME

GROWING PUBLIC exasperation in Italy with wave upon wave of public sector stoppages has prompted an initiative from both the Prime Minister, Mr Giovanni Goria, and one of Italy's three union confederations which could lead to the first legal controls on the right to strike.

The country has been badly hit this year by stoppages in health, education and public transport organised by so-called "autonomous unions" whose members have rejected the policies and leadership of the well-established CGIL, CISL and UIL federations.

With no end in sight to a series of highly disruptive strikes by train drivers and with the threat of new unrest among school teachers, Mr George Benvenuto, the UIL president, has written to the Prime Minister and party leaders demanding a law to discipline public sector strikers.

He has threatened to launch a nationwide petition which could force Parliament to debate such legislation unless the Government decides to act before the end of November.

Partly in response to Mr Benvenuto and partly because he senses strong popular backing on the issue, Mr Goria has written to his ministers asking for their views as to whether the Government should decide to produce legislation.

His move reflects both the general weakness of the prime ministerial office in Italy and the fact that such an initiative has to be negotiated within the five-party coalition because it is not contained in the policy programme which the Government launched at the end of July.

Although the autonomous unions do not match the confederations in numbers - they have an estimated 4.5m members against nearly 9m - they are sufficiently concentrated to disrupt some public services severely.

Although their professional grievances are many, they reflect the deep disenchantment among skilled and professional white collar workers with the compressing of wage differentials after more than a decade of wage indexation.

Mr Walter Galbusera, a UIL national secretary, conceded yesterday that their strength owed much to leadership shortcomings in the established federations. But these could not be properly tackled until the law was used to restore some order to industrial relations in parts of the public sector.

The current legal vacuum derives from the fact that Italy's constitutional provisions for the regulation of strikes have never been applied. Every citizen is guaranteed the legal right to strike but this is qualified by Article 39 which permits only recognised unions to call strikes. But this remains a dead letter because recognition is made dependent on a union's internal democratic procedures which have never been defined in law.

Brussels probes shoe dumping allegations

BY WILLIAM DAWKINS, IN BRUSSELS

ALLEGATIONS that Taiwan and South Korea are dumping shoes in France at less than half their French production price yesterday sparked off an inquiry by the European Commission.

The French authorities claim that unfair under-pricing by Taiwanese and South Korean exporters is creating widespread losses and redundancies in their own shoe industry.

Yesterday's announcement is the latest in a string of Far Eastern anti-dumping cases covering products ranging from Japanese and South Korean video recorders and compact disk players to Japanese typewriters and weighing scales.

South Korean shoe sales in France rocketed from 8.7m pairs in 1984 to 14.4m in the first seven months of this year, representing a more than doubling in national market share from 3 per cent to 7.4 per cent over the same period, according to the French Government.

Taiwanese shoe exports to France grew from 5.5m pairs to 11m pairs over the period, an expansion in market share from 2 per cent to 5.5 per cent.

The effect has been to force down French shoe prices dramatically.

This has "endangered the future of the national industry... and made futile the French Government's attempts to remedy the industry's gradual financial collapse," according to the complaint.

It claims that French shoemakers' average capacity utilisation has plummetted from 80 per cent to 57 per cent over the past two years.

If the Commission accepts the French case, it can impose punitive levies on South Korean and Taiwanese shoe exports.

Brussels has given the companies involved 30 days to put their side of the argument.

Moscow offers to reveal chemical arms stocks

MOSCOW would be willing to reveal the size of its chemical weapon stocks if the United States and other countries did the same, a Soviet spokesman said yesterday, Reuter reports from Moscow.

Mr Gennady Gerasimov, the Foreign Ministry's chief spokesman, told a news briefing that an announcement on stockpiles could come before the signing of an international convention banning chemical weapons. But 'this would be on the condition that a convention would be signed and that it would be effective'.

His statement marked a shift in the Soviet stand. Analysts said it could remove one of the key obstacles to an agreement on a convention at the 41-nation disarmament conference in Geneva.

Until now, the Soviet Union has insisted that it would only reveal how much chemical weaponry it possesses 30 days after a convention took effect. This position was reiterated by Soviet military and civilian arms control officials during a guided visit for Geneva negotiators and foreign experts to a chemical weapons test centre at Shikhany on the river Volga ten days ago.

UK makes heavy weather of Nato frigate decision

Strong doubts remain about the benefits of collaborating on building an alliance warship, writes David Buchan

THE BRITISH Government is wavering about whether to join seven other Nato nations next week in the alliance's first common programme to build a major warship, or whether to limit its foreign collaboration to developing weapons systems for the ship.

Britain has until the meeting of Nato armaments directors, on October 20-21, to decide if it will take part in the definition phase of the Nato Frigate for the 1990s (NFR-90), or seek further delay of the whole project, or opt out.

The seven other participants - the US, Canada, West Germany, France, Italy, Spain and the Netherlands - have all signalled their willingness to sign a memorandum of understanding next week on the three-year project definition phase. The aim is to maximise common development and procurement of, and thus savings on, some 50 frigates costing in the region of $200m each.

British indecision, which has left its allies puzzled and irritated, reflects a deep divison inside the Ministry of Defence. Broadly, supporters of the project include officials responsible for collaboration and operational requirements, while top procurement officials are sceptical. Outside the MoD, nine leading UK defence contractors have formed Supermarine Consortium to lobby for NFR-90, but the UK Treasury has been against spending money on something on which the MoD has had no clear view.

The betting is that the UK will still join in next week. But playing for time and last-minute influence over the project, Mr George Younger, the UK Defence Secretary, wrote on October 1 to his counterparts in NFR-90 partner countries and to Lord Carrington, Nato's secretary-general, complaining of a timing "mismatch" in development of the frigate and its weapon systems. The latter is the subject of two rival studies, led by the US and France, with the UK participating in each. Neither is expected to reach a conclusion for another 18 months or two years.

Sceptics within Mr Younger's ministry say collaborating on weapons to enable the frigates to defend themselves and other ships against the air and missile threats that have proved so deadly in the Falklands and the Gulf is far more important than sharing the relatively trifling cost of designing a common hull to be built in national yards in any case.

The ship, they argue, cannot be "defined" without first "defining" its weapons. Only 16 per cent of the frigates without the weapons will be common to the eight Nato navies - so, they say, the saving through collaboration will be tiny or non-existent.

Lord Carrington and others have since reminded Mr Younger that the NFR-90 memorandum stresses the need for definition of the ship and weapons to be "aligned". Nato officials point out that France, which had roughly the same concerns as the UK, is now satisfied with the memorandum drafted for next week's signing.

In fact, it is on this issue of aligning ship and weaponry that NFR-90 supporters inside the MoD make their strongest pitch. By itself, Britain could afford to build the ships, but not the air defence system. Collaboration on the latter is vital, they say, but the UK wants an "affordable" system. That is why the UK has fought, during the NFR-90 feasibility studies, to try to keep down the size of the vessel - the bigger the ship, the bigger and dearer the weaponry.

"Therefore the best way for us to keep the weapon size down is to stay in NFR-90," stresses one UK defence official. Its suggested size of 6,000 tonnes is already a little large for British taste.

British industry, for its part, is worried that it will be excluded from bidding into the £10bn NFR-90 programme if its government drops out. Mr Brian Outhwaite, chief executive of the Supermarine Consortium formed by British Aerospace, Ferranti, Plessey, Racal, Thorn-EMI, Rolls Royce, VSEL, Vosper Thorneycroft, and Yarrow, says a decision to drop out of NFR-90 "must affect Britain's status in both the anti-air warfare studies".

The United States-led study, which is also looking at a lucrative interim weapon refit for no less than 185 US ships, has the additional participation of West Germany, Canada, Spain, the Netherlands, and the UK. Britain and Spain have also joined Italy and France in a French-led ship defence study.

The internal UK rift over NFR-90 mirrors wider differences of philosophy about defence collaboration. The sceptics hold that such are the known costs of collaboration - bigger meetings, slower decisions, and even (it is said) idiosyncratic national requirements on NFR-90 such as the Italian need for a longer hull for galleys to accommodate bulk pasta - that the case for it must be proved every time. The believers, by contrast, argue that collaborative cash savings are so clear that the burden of proof must always be on those who want to go it alone in defence.

Dublin cuts spending by I£485m

By Our Dublin Correspondent

THE IRISH Government is to cut an unprecedented I£485m from its annual spending, according to departmental estimates published yesterday.

The savings will mean painful cutbacks in virtually every service provided by the state and represents the most swingeing attack on government spending in nearly 30 years.

The public capital programme alone, which provides for building work and general capital outlay by government departments has been cut by 16 per cent. As expected education has borne the brunt of the cuts, with 44 per cent being pruned from the annual capital budget for that department.

The country's Industrial Development Authority has also been badly hit, with building work on advance factories and offices virtually halted.

The breakdown of the figures released yesterday, which provide the framework for departmental spending for 1988, show that the Government's total public capital programme is down from I£1,654m to I£1,406m. This will affect severely the already hard-pressed Irish building industry. For day-to-day spending the Government has lopped 5 per cent or I£232m from an annual budget of I£8,692m.

In an accompanying comment, the Irish Department of Finance reiterated government policy of maintaining expenditure at or below 1986 levels as a percentage of the republic's GNP, when it stood at 56.6 per cent. This figure has already fallen to 55.2 per cent and the Department of Finance says it envisages a further fall for 1988 as a result of the cutbacks revealed in the estimates.

As the impact of these figures is felt over the next couple of months, many semi-state agencies are likely to fall victim. Already Mr Haughey's Government has axed a number of bodies, most controversially the national environmental watchdog body, AFF.

Immediately after yesterday's figures were published the country's National Social Services Board, which co-ordinated the work of many voluntary agencies, announced that it was to close.

Taken with the completion last week of a national plan for economic recovery negotiated with unions and employers, which provides for modest pay increases annually in the public service for the rest of the decade, the Fianna Fail Government must now hope it has fixed two of the key economic variables for the regularisation of the republic's finances and the stabilisation of its national debt.

Mud-slinging starts early in French poll campaign

BY PAUL BETTS IN PARIS

LES AFFAIRES, as the French like to call the scandals which from time to time break on to the Paris political and business scene, are gathering pace with the approach of next spring's presidential election.

Last week, the political headlines were dominated by the *Affaire du Carrefour du Developpement*, involving the former Socialist Co-operation Minister, Mr Christian Nucci, accused of financing his political campaign out of official funds.

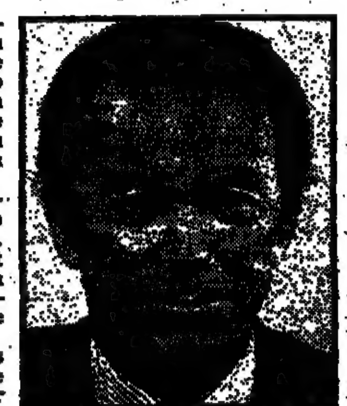
This week, it is the turn of a leading figure of the Conservative Government, Mr Albin Chalandon, the neo-Gaullist Justice Minister and former chairman of Elf-Aquitaine, to be caught in an unsavoury affair.

Mr Chalandon has emerged as one of the central characters of the *Affaire Chaumet*, involving the bankruptcy of one of the oldest and most venerable jewellers of the Place Vendome in Paris.

The House of Chaumet, jewellers to Napoleon and Queen Victoria, collapsed after the two Chaumet brothers ran up debts estimated at more than FFr1.5bn (£150m). Among the creditors was Mr Chalandon who has had a long association with the Chaumets.

The scandal broke last February after strenuous efforts to keep it out of the public eye. Since then, the Chaumet brothers have been placed in custody while magistrates investigate the collapse of the business.

The affair hit the headlines again this week when *Le Monde* newspaper claimed that Mr Chalandon had an account with the Chaumets together with about 70 other clients of the jewellers. The minister had already acknowledged he was owed money by the Chaumets and had entrusted them with family jewels.



Mr Chalandon: suing for libel

Magistrates are now investigating possible tax and foreign exchange offences involving the Chaumets and their wealthy clients. But Mr Chalandon has firmly denied any wrongdoing and is suing Le Monde for libel.

He claims he is victim of an orchestrated campaign by the opposition Socialist party to discredit him and undermine the political right in advance of the presidential election. Only last week, Mrs Edith Cresson, the former Socialist Industry Minister, raised questions in the National Assembly about Mr Chalandon's role in the affair.

In the same way that the right has turned the *Carrefour du Developpement* scandal into the "Nucci affair," the Socialists have retaliated by personalising the Chaumet scandal into the "Chalandon affair".

After attacking the Government for allocating blocks of shares in privatised companies to its political friends and its manoeuvrings in the deregulated broadcasting sector, the Socialists are using the Chaumet affair to intensify their campaign against what they see as an arrogant abuse of power and money by the right. This is a favourite theme of the left, which campaigned in 1981 against the privileged rich.

Recent events also appear to be setting the tone of what is fast becoming a particularly aggressive presidential election campaign. "It looks as if we are going to be in for a pretty vicious below-the-belt campaign dominated as much by clamorous affairs and personal attacks as by major political issues," remarked one leading French political commentator yesterday.

Ozal election offer

Turkish Prime Minister Turgut Ozal said yesterday he was ready to discuss a new date for general elections, planned originally for November 1, Reuter reports.

His move was intended to defuse a political crisis, which blew up last week when the Constitutional Court, acting on an opposition request, annulled a key election law clause on candidate selection.

Comecon oils its wheels

COMECON BEGAN a two-day meeting yesterday to find ways of improving co-operation between member nations and aiding poorer members like Vietnam and Cuba, AP reports.

Heads of government of the 10 Comecon states, led by Mr Nikolai Ryzhkov, the Soviet Prime Minister, met in the organisation's Moscow headquarters.

"We have gathered here to adopt decisions of great importance for the entire socialist community, and the start, on their basis, practical joint work on restructuring the mechanism of co-operation," he told the meeting.

The proposed reforms in Comecon operations mirror changes enacted at home by the Kremlin leadership which are designed to make the Soviet economy more efficient and its products competitive on world markets.

The industrial output of Soviet bloc countries is often of poor quality, and their level of technology in computers, electronics, consumer goods and other fields has lagged behind world levels.

Under one proposed change, industries in Comecon countries would be able to establish direct ties, instead of working through unwieldy governmental bureaucracies. This year, the Soviet Union enacted regulations to make joint ventures with Soviet enterprises more attractive for foreign companies. Among other things, the new regulations trim the amount of red tape involved.

Radio Moscow said the meeting would also discuss pricing, the allocation of credits and measures to promote development in Vietnam, Mongolia and Cuba.

European MPs remove threat of insolvency from EC budget

BY QUENTIN PEEL IN STRASBOURG

THE European Parliament yesterday lifted the threat of imminent insolvency from the European Community budget, clearing the way for Ecu 4bn (£2.8bn) in agriculture payments to be delayed until 1988.

The accounting exercise, by which the monthly EC farm payments will be paid in arrears rather than in advance as at present, had been held up pending an opinion by the Parliament. Payments for the last two months of the year - for which there was anyway no money available to Brussels - can now be made after January 1.

The MEPs only gave the deal grudging acceptance, since it is regarded by many as a device to put off the day of providing adequate finance for EC policies. A majority recognise, - however, that without the move, the Common Agriculture Policy will simply be "renationalised" by default, with national treasuries maintaining payments.

Mr Frans Andriessen, the EC Agriculture Commissioner, refused to accept a parliamentary proposal that the switch in payments apply only to 1987 spending, and the present system be reinstituted when new resources become available in 1988.

Leading members of the parliament also roundly criticised the EC Council of Ministers for its failure to produce a draft budget for 1988 by the legal deadline of October 5, along the lines of the Ecu 41bn proposed by the European Commission.

Both Commission and parliament have formally called on the council to come up with a budget by December 6 - the day after the EC summit in Copenhagen - or face being taken to the European Court of Justice.

All the combined EC cash crises - the hole in 1987 spending, the lack of a balanced 1988 budget, and the obvious shortage of long-term financial contributions from the member states - are supposed to be resolved in a reform package for discussion in Copenhagen.

Shift in stance on steel quotas

BY WILLIAM DAWKINS IN BRUSSELS

EUROPE'S independent steelmakers are prepared to accept a temporary continuation of EC output controls, in marked contrast to their usual free market stance.

Mr Pol Boel, president of the European Independent Steelworks Association (Eisa), representing roughly 80 small private producers, said in Brussels yesterday that EC member states were extremely unlikely to satisfy the European Commission's demands to come to a final decision on the future of steel production limits at the next meeting of Industry Ministers on December 8.

"The one thing we cannot have is uncertainty," he said. For that reason Eisa members, were prepared to accept that output controls should continue for the first quarter of 1988.

This is a marked reversal of Eisa's traditional desire for the fastest possible return to a free market, at least in the long steel products where its members are strongest. Its penchant for liberalisation usually contrasts with that of Eurofer, the association of major integrated steel producers which dominates the market for flat products where overcapacity is heaviest.

Eisa speaks for roughly a tenth of total EC steel production and just over 50 per cent of output of long products, mainly in scrap-fed mini-mills. Half its members are based in the Brescia region of Italy, an aggressively free marketeering group which is taking legal action against the Commission for failing to scrap the quota system fast enough. But they are all now taking orders for the first quarter of next year, when prices could be dramatically affected by any changes in the quota system agreed by EC industry ministers in December.

The Commission has promised to scrap the quota system - which now regulates about 60 per cent of EC steel output - in its entirety if member states cannot agree on substantial cuts in the 30m tonnes of overcapacity now overhanging the market. It has appointed a panel of three experts to try to identify where closures should be made.

Greece to privatise industries

By Andriana Ierodiaconou in Athens

THE GREEK Government remains committed to privatising the majority of 22 ailing industries, the management of which was taken over by the state under a special rescue programme launched in 1983.

This has emerged from a review meeting on the issue held this week between Mr Costas Papanayiotou, who took over as Deputy Industry Minister in a cabinet reshuffle last month, and the directors of the state-owned Business Reconstruction Organisation which is managing the rescue scheme.

The meeting quelled reports that the Government's policy had changed following the reshuffle, in favour of retaining state control over the ailing firms.

The rescue programme involves 43 enterprises, whose debts at the end of 1986 totalled an estimated Dr294bn (£1.28bn). Of these, 22 have been judged viable. The other 21 have been liquidated.

The viable companies are to be offered to private investors, with the exception of a number held to be of "strategic importance" to the economy. The rescue programme includes some of Greece's largest textile, cement and paper companies. The authorities have indicated that the bids will not be open to former shareholders.

Last week the European Commission gave Greece permission to provide aid to the ailing companies under the programme, through the conversion of debt to equity. However, the Commission has demanded advanced certification of state refinancing of any enterprise employing more than 300 workers.

Patrick Cockburn in Moscow examines the emergence of independent political and cultural clubs

Testing time for the Kremlin as old orthodoxies are challenged

IN THE next few weeks the Soviet authorities will decide their attitude to the many independent political and cultural clubs, numbering 1,200 in Moscow alone, which have sprung up over the last year.

The development of the clubs, and the authorities' reaction to them, is a test of the degree to which independent public opinion in the Soviet Union can develop its own institutions and take advantage of the greater freedom of expression allowed since Mr Mikhail Gorbachev became leader in 1985.

Current official attitudes are in sharp contrast to previous policy which saw all independent groups as actually or potentially dissident. Even small organisations with such apolitical aims as help for the handicapped were systematically stamped out by harrassment and arrests.

The very idea of a club voluntarily set up by its members is foreign to recent Soviet experience. In the Russian school edition of The Pickwick Papers by Charles Dickens, the editors go out of their way in a footnote to explain to the reader that Mr Pickwick is not, as they might assume, a paid employee of the Pickwick Club.

People set up clubs for various reasons. Mr Gleb Pavlovsky, a member of the Club for Social Initiative set up in September last year, says many are established by the young. There are numerous environmental groups, particularly in Leningrad, and about 30 to 40 clubs in Moscow with distinct social or political policies.

They represent a wide variety of views: the Club for Social Initiative, many of whose members are sociologists, was set up to discuss the present and future shape of Soviet society. Another club, Perestroika, draws its membership primarily from the Moscow intelligentsia but includes a strong contingent of economists.

Environmental groups are becoming common. "We're tired of being the slaves to the architectural bureaucracy," say members of the Ecopolis club in the town of Kosino, east of Moscow, which has just stopped a construction project that threatened unique fauna in a local lake.

Another club is restoring the Belopesotsky Monastery on the Oka River. Once this is done they will use the monastery as a cultural centre, using local crafts to help revive decayed villages whose inhabitants have moved to the cities.

The difficulty from the official point of view is that the existence of independent clubs dilutes the Communist Party's monopoly over political life. It has the advantage that almost all the clubs support Mr Gorbachev's restructuring of Soviet life.

In Moscow an impressive sign of concern about the environment came when residents of Vorovsky Street in the centre of the capital stopped building workers cutting down elms at the site of a new Turkish Embassy building. A demonstration this week outside the National Hotel led to the Council of Ministers reversing a decision to move some museums to the outskirts of Moscow.

Yet strong inhibitions about unofficial action remain. Commenting on this lack of local initiative, Mrs Tatyana Zaslavskaya, a leading Soviet sociologist and adviser to Mr Gorbachev, told the CSI: "They say we've let the genie out of the bottle but look at the poor thing! He can hardly stand up. Intensive care is what the genie needs."

Nor is the official attitude towards the new clubs clear. A conference of 53 clubs under semi-official auspices met in August and another is planned at the end of January or beginning of February when university students, who make up much of the membership, are on holiday.

Official sympathy came last week when the news agency Novosti organised a press conference for the clubs to explain their views. Given that the Perestroika club is planning to build a monument to victims of Stalin, this seems a daring move.

The difficulty from the official point of view is that the existence of independent clubs dilutes the monopoly of the Communist Party over political life. It has the advantage, however, that almost all the clubs support Mr Gorbachev's *perestroika* (restructuring) of Soviet life.

With some significant exceptions the clubs are, if anything, on the left rather than the right. Fifteen of those attending the August conference have formed a Federation of Socialist Clubs, whose ideas have much in common with the New Left in Western Europe in the 1960s. They also tend to be strongly opposed to the chauvinist and anti-semitic populism of clubs such as Pamyat (memory).

Mr Grigory Pelman, leader of the Club for Social Initiative, argues that while nobody in the Soviet Union dares come out publicly against *perestroika*, there are the materials for a right-wing backlash with strong political appeal for parts of the bureaucracy and in the backward provinces of central Russia.

Because the clubs are such a recent phenomenon, the extent of their development outside Moscow is unclear. According to Mr Pavlovsky there are 200 to 400 in Leningrad and others spread across the country from Odessa on the Black Sea to Novosibirsk in Siberia. They tend to be small, based on a few enthusiasts, and for the most part their interests are cultural rather than political.

The clubs are also important because of the seriousness of the generation gap in the Soviet Union. Youth may sympathise with the aims of Mr Gorbachev's revolution from above but Komsomol, the 42m-strong Communist youth organisation, has become a moribund bureaucracy. Old orthodoxies are being questioned by the young, particularly students, and this gives the clubs an influence out of all proportion to their size.

Those doing the questioning over the last year have often produced bizarre, contradictory or incoherent ideas but the incoherence is evidence of intellectual vitality.

Cultural and social life in the Soviet Union is very fluid at the moment. Old orthodoxies and dogmas are being questioned in an atmosphere in many ways similar to western Europe and the US during the 1960s.

The existence of the clubs means that some - but not necessarily all - Soviet leaders see diversity of opinion outside the party as no threat, and probably as a source of strength. The clubs are evidently nervous, either of being labelled dissident or of being absorbed by the system, but neither they nor the Government really knows what the new rules are.

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Iranian missile hits school killing 32

By Andrew Gowers in London and Lionel Barber in Washington

IRAN LAUNCHED a fresh missile attack against Baghdad yesterday, and Iraq claimed a primary school was hit with the deaths of 29 children and three adults.

The attack, for which Iraq swiftly vowed retaliation, marked the latest step in the "war of the cities" between the two countries which resumed in earnest last week. It represented a sharp reminder of Iran's determination to carry on with the war against a background of mounting Iraqi confidence - enunciated this week by President Saddam Hussein in a newspaper interview - that the threat of an Iranian victory or of a wider Gulf war may be passing.

"It is Iraq's right and its duty to reply to this heinous crime," said the Iraqi news agency after the missile attack. "They want a war of the cities and they will get it. Missiles will make them understand."

In another development late on Monday, at least one Iranian gunboat machine-gunned a Saudi Arabian tanker, the 39,115-tonne Petroship B, off the coast of Dubai. Damage was slight, no casualties were reported, and the tanker later continued its voyage out of the Gulf.

The incident was the first reported Iranian attack on shipping in several days, following a punishing series of Iraqi air raids on Iran's oil export operations.

Meanwhile, the US military command in the Gulf is pressing Washington for greater latitude in striking against Iranian gunboats attacking merchant shipping in the waterway, the Washington Post reported yesterday.

US forces want approval to attack any Iranian gunboat firing on merchant vessels which then call for assistance. This would broaden the US naval role which is to protect US-flag ships only in the area, specifically Kuwaiti oil tankers. However, the Reagan administration has also made clear the task force's aim is to maintain free navigation in the international waters of the Gulf.

Saudis discuss purchase of oil refinery stakes

BY RICHARD JOHNS IN LONDON

SAUDI ARABIA has held talks with three leading US oil companies – Exxon, Texaco and Mobil – on the purchase of substantial minority stakes in their oil refining and marketing operations in Western Europe.

The deals, as reported in late editions of the Financial Times yesterday, could be worth billions of dollars and would give Saudi Arabia secure outlets for its crude oil and refined products at a time of slack demand and amid fierce competition for market share among members of the Organisation of Petroleum Exporting Countries (Opec).

Exxon and Texaco spokesmen in New York yesterday declined to confirm or deny that negotiations had taken place. "We don't comment on rumours of acquisitions and disinvestments," an Exxon spokesperson said.

Exxon's assets are understood to have been the main Saudi target and talks with the company appear to have progressed far further than those with Texaco and Mobil.

Under the Saudi plan Petromin, the state oil corporation would be given an enhanced status as a holding company. It would probably be renamed the Saudi National Oil Corporation and be given a role similar to that of the Kuwait Petroleum Corporation, with responsibility for overseas marketing.

The prospect of deals with the US groups was formally raised early in August by Mr Hisham Nazer, the Saudi Minister of Oil, at a meeting in Los Angeles of the executive board of the Arabian American Oil Company, on which the three companies and Chevron are represented.

Saudi Arabia's ruling hierarchy and senior oil industry officials are known to have come round to the view that the kingdom needs to buy secure outlets for its crude oil and refined products as Kuwait and Venezuela have done.

Kuwait has obtained a substantial foothold in western Europe mainly through purchasing assets from Gulf Oil before it was taken over by Chevron.

Venezuela has overseas joint ventures through which well over 25 per cent of its crude oil and refined products are sold.

King Fahd of Saudi Arabia, however, is believed to be hesitant about the kingdom entering "downstream" operations with the US groups, and has possibly held up a deal with Exxon.

Following Exxon's exchanges with Mr Nazer, relations also became strained because of the US company's low level of orders from the kingdom. Exxon has since raised the orders and is thought to have taken about 300,000 barrels a day in the first week of this month.

The four US majors, which are partners with Aramco and have a critical role in servicing its operations through a joint company, lifted about 1.4m b/d out of a total of 4.5m b/d, of which 800,000 b/d would have been accounted for by domestic consumption.

At the August meeting of the Aramco executive board, the US companies are understood to have suggested that they should be given a price rebate in return for maintaining liftings of Saudi crude at the levels sought by the official Ministry of Oil. However, it is understood that the proposal was rejected by King Fahd, who is committed to maintaining Opec prices at about $18 a barrel.

Israel praises Riyadh aid effort

MR YITZHAK RABIN, the Israeli Defence Minister, praised Saudi Arabia yesterday for its aid to Arab areas under Israeli occupation but said Western Europe paid only "lip service" to the Palestinian cause, Reuter reports from Jerusalem.

Mr Rabin said Saudi Arabia, though officially at war with Israel, recently gave $1m to a United Nations Development Program sewage project in the sprawling Jabaliya refugee camp in the Gaza Strip, captured from Egypt in 1967.

"We more than welcome the Saudi help and would welcome even more if Saudi Arabia provided $15m for economic aid to the West Bank and Gaza Strip," he told Palestinian mayors.

"But I told the (Western) Europeans that all they do is provide lip service to the Palestinian cause. If they want to see schools built and investments made, they should do it, not just talk about it.

"We offered each West European country the possibility of 'adopting' two refugee camps each in the West Bank and Gaza Strip and helping them through the United Nations."

Harare bomb blast leaves 18 injured

BY TONY HAWKINS IN HARARE

TWO PEOPLE were seriously injured and another five kept in hospital for treatment following a car-bomb blast in the Avondale suburb of Harare early yesterday.

By late afternoon no one had claimed responsibility for the bomb attack.

A total of 18 people were injured, most suffering minor cuts from flying glass. The bomb exploded at 8.30 in one of Harare's busiest suburban shopping centres.

Witnesses said the casualty toll could have been higher had it exploded later in the day, when the centre is usually full of shoppers.

● Zimbabwe has blamed South Africa for the bomb blast, Reuter reports from Harare.

"The bomb blast is part of the persistent efforts of the Pretoria regime to destabilise Zimbabwe," Information Minister Mr Nathan Shamuyarira told the domestic news agency Ziana.

Mr Shamuyarira alleged South African involvement nine hours after the car bomb exploded.

He referred to a protest note sent by South Africa last week following a landmine blast in the Transvaal which Pretoria blamed on anti-government guerrillas infiltrated from Zimbabwe.

"It is a tactic South Africa uses whenever they want to attack us," he said. "There is absolutely no evidence of infiltration by ANC guerrillas through Zimbabwe."

The ANC is the main guerrilla group fighting for majority rule in South Africa.

Mr Shamuyarira said South Africa had recently increased support for insurgents in Mozambique whom he said had attacked targets in Zimbabwe.

Acting Foreign Minister Mr Richard Hove said the bombing underlined the case for comprehensive sanctions against Pretoria.

He said the "cowardly and unprovoked attack" on the day a summit of Commonwealth leaders opened in Vancouver "shows the racist apartheid regime's immoral and continued disregard for international opinion."

The explosion destroyed five cars, shattered shopfronts and sent early-morning shoppers fleeing in terror from flames and clouds of smoke.

The blast made a crater one meter across. Most of the injured were burned or hit by flying metal.

The bomb was the biggest in Harare since independence in 1980

Philippine strikers stage march

ABOUT 6,000 workers taking part in a week-long strike for higher wages defied police warnings and marched toward the presidential palace last night, AP reports from Manila.

The protesters, mostly members of the militant May 1 Movement, chanted "strike, strike" and pro-Communist slogans on their way to a tightly-guarded bridge near the palace after a rally at a downtown Manila square.

Police warned rally organisers against going on to the Mendiola Bridge, 300 yards from the palace, for fear that right-wing or leftist extremists might try to use the occasion to create trouble.

But the protesters ignored the warnings and, as darkness fell, lit torches and began the march, chanting "Up with wages, down with prices" and "NPA growing stronger". They were referring to the New People's Army, military arm of the outlawed Communist Party of the Philippines.

Earlier yesterday, President Corazon Aquino issued a statement praising union leaders for keeping the strike peaceful.

Mali yellow fever outbreak

A YELLOW fever outbreak in Mali has claimed 58 lives, all but one of them children under the age of 12, according to the United Nations Children's Fund (UNICEF), AP reports from Abidjan.

Health officials in the capital Bamako have appealed for 4.4m doses of vaccine to fight the spread of the disease.

UNICEF has provided 300,000 doses so far. Assistance has also come from France, West Germany, Switzerland and the international aid group Medecins Sans Frontieres.

Taiwan ready to allow visits to China

BY BOB KING IN TAIPEI

MR YU KUO-HWA, Taiwan's Prime Minister, has confirmed in talks with foreign journalists that his Government will soon permit humanitarian visits by residents of Taiwan to mainland China.

Mr Yu's comments were the first confirmation by a senior official of the ruling Nationalist Government that the authorities are prepared to permit the visits. He did not, however, say when the liberalisations would be announced, nor did he specify who would, and who would not, be allowed to visit China.

Mr Yu said that the Government's primary goal in allowing the visits is humanitarian: uniting relatives who have not seen each other during the 40 years that Taiwan and China have remained technically at war. But he added that through the new arrangement, Taiwan also expects to gain long-term political benefits, by acquainting compatriots on the mainland with the alternatives - and the wealth and relative freedom - enjoyed on Taiwan.

His remarks seem to indicate that more progressive members of the Nationalist Party, who insist that the advantages of allowing visits far outweigh the national-security concerns touted by opponents, have again won the day. Mr Yu stressed, however, that the visits have nothing to do with the official policy of "no contacts, no compromise, and no negotiations" with the Peking regime, and thus do not signal a shift toward accomodation with the Communists.

An announcement about details of the visits - who will be allowed to go, and under what conditions - could be made as early as Wednesday morning, when the Nationalist Party's powerful central standing committee convenes its weekly meeting.

S African airline plans to beat Australian curbs

BY CHRIS SHERWELL IN SYDNEY

SOUTH AFRICAN AIRWAYS, which will be subject to Australian sanctions later this month, aims to beat the embargo on landing rights by routing its passengers through Singapore, Hong Kong and Taipei.

Mr Gert van der Veer, the airline's chief executive, took out full-page advertisements in local newspapers yesterday to announce that other carriers would co-operate in providing alternative routes.

The airlines are presumed to be Cathay Pacific, Singapore Airlines and Air Mauritius. Passengers from Australia would fly to Hong Kong or Taipei to connect with existing SAA services, or to Singapore to make connections with Mauritius, where SAA also flies.

The Canberra Government last October gave the required one year's notice terminating the South African landing rights agreement as part of the international sanctions effort against Pretoria's apartheid government.

SAA's weekly flight from Sydney via Perth departs for Johannesburg every Tuesday, having left South Africa the previous day. The last flight leaves Sydney on October 27 and is fully booked.

Mr van der Veer, who was in Sydney yesterday, acknowledged that sanctions against South Africa were hitting the economy but said they were hurting blacks more than whites. SAA, for example, had not taken on black workers since becoming an equal oportunity employer two years ago, he said. Currently it employs 1,400 blacks.

In his newspaper advertisement he said it was "a pity" that SAA could no longer offer passengers the shortest and most direct route between the two southern hemisphere nations. But passengers would now get "four countries for the price of one" and a wider choice of services.

Lebanese pound falls sharply

THE LEBANESE pound fell sharply against the dollar yesterday, forcing banks to halt trading to try to stem the collapse, Reuter reports from Beirut.

"It was complete chaos in the market," said one banker. "Speculators were buying huge amounts of dollars, the banks were losing control and they stopped trading to catch their breath." The pound closed at 355.50 to the dollar compared with Monday's close at 346.00, the Central Bank said.

The once-stable pound has lost more than 76 per cent of its international value so far this year. The collapse has fuelled inflation estimated at 300 per cent.

Bankers said the pound's latest fall was prompted by fears that renewed fighting between Palestinians and Shia Moslem gunmen in south Lebanon might spread to the capital.

Police raid union offices

SCORES OF policemen yesterday raided the Melbourne offices of the militant Builders' Labourers Federation, seizing the organisation's assets and provoking a protest march to the state parliament by 200 union members, Chris Sherwell reports.

The action was ordered by the Victoria Government, which said yesterday it had hard evidence that Mr Norman Gallagher, the union's communist secretary, had invested more than A$1m (£440,000) of union money in false names and had engaged in transactions which breached union rules.

For his part Mr Gallagher said he thought the action was linked with elections under way in the Building Workers Industrial Union.

The BLF was "deregistered" by the authorities in May last year after protracted wrangles over its muscular tactics in industrial disputes and its apparent unwillingness to accept wages guidelines.

The rival BWIU, which is also strongly left-leaning, has since picked up some 20,000 BLF members and become one of the country's ten largest unions.

AMERICAN NEWS

Agony builds for fans and footballers

BY RODERICK ORAM IN NEW YORK

US football league players on the stadium picket line

A COLD, wet, foot-thick blanket of snow, the earliest blizzard in a century, suited the mood of many Americans just fine 10 days ago.

It was only October and winter had not yet set in. But how could it be autumn if there was no truly professional football to cheer passionately in stadiums or living rooms, banter over in bars or replay in animated discussions at the office?

Sports fans' agony, inflicted by a three-week strike of players trying to break team owners' semi-feudal hold on them, continued unabated last weekend. To add insult to injury, the owners fielded for a second time teams of non-union players to augment the handful of regulars who have crossed picket lines.

Neither the weather nor the strikebreakers' standard of play improved much last weekend. But more fans, unable to live without their football fix, returned to stadiums. Encouraged, the owners broke off negotiations with the players. Discouraged, the players offered to return to work if the owners agreed to binding arbitration, rated a highly unlikely event.

Initially, fans had shown more sympathy for the strikers. Match attendance at the first games plunged by 70 per cent and television audiences by a fifth as loyalists refused to watch pick-up teams masquerading in the uniforms of their heroes.

Among other things, the Los Angeles Rams were dubbed the Shams, the Kansas City Chiefs the Thiefs, the Buffalo Bills the Counterfeit Bills and the Pittsburgh Steelers the Slags.

In Philadelphia, 4,000 people watching the Eagles (Beagles - 'They played like dogs') being trounced 35-3 by the Chicago Bears (Spares) were almost outnumbered by protesters outside. A convoy of honking trucks circled the stadium.

Owners have hired players passed over in pre-season training camps, college and Canadian League athletes and even high school coaches. Only four of the New York Giants (Gi-Ain'ts) 45-man squad have had National Football League experience.

Down in Texas, the Houston Oilers (Soilers) team includes two death row prison guards, an opera singer and a man declared legally dead four years ago. 'People are buying prime rib when they buy NFL football tickets,' said a players' union leader.

The owners and athletes remain far apart on many issues, from pay and pensions to drug testing and contract guarantees. But the guts of the fight is over the players' demand for 'free agent' status.

Owned by their teams and traded without their say to others, players have no control over their destiny. If they languish on the benches of an unappreciative team, they have no chance to auction their skills elsewhere. 'The owners' behaviour would not be tolerated in any other walk of life,' said a professor of sports law at the University of Michigan.

The free agency right won 11 years ago by baseball players after a bitter battle is even more crucial to football players. With an average career of only four years, usually terminated by painful and sometimes permanent injuries, only the stars make the blood and sweat pay well. Salaries range from a minimum of $50,000 (£30,000) a year to the $1.5m earned by John Elway, quarterback of the Denver Broncos. But the average is only $215,000, or less than $1m in a career.

By contrast, a middle manager in a Fortune 500 company could earn that in his first 15 years with several decades of earning power left ahead of him. The league pays $80,000 severance at career-end and $9,000 a year pension at 55.

Careers in baseball and basketball are also short, averaging six and four years respectively. But average pay is double that of football and the minimum and maximum and pensions are one and a half times bigger.

Theoretically under present rules, football players are to some extent free agents if their new teams compensate their old owner. But of 2,000 players who met the criteria over the past 11 years, only one made the move of his choice. All the others were blocked by owners' high demands for compensation.

The owners have rejected the free agency demand out of hand, claiming they would suffer a bidding war which would force up salaries sharply and bankrupt some teams. They also argue that teams in lucrative television markets with lots of endorsement opportunities would buy up all the talent and make competition lop-sided.

Sports economists counter that even the most prestige-mad and sports-obsessed owner would not deliberately bankrupt himself. Moreover, baseball has never been more competitive. In the 11 years since free agency was granted 10 teams have won the World Series.

Meanwhile, as the negotiations continue, the owners are suffering drastic cuts in revenues at the ticket window and in rebates to television advertisers. They lost $450m in the previous strike which lasted 57 days in 1982, when they did not field substitute teams.

They hope this time the trickle of players back into the locker rooms - so far less than 200 out of 1,600 players have returned - will break the strike. Success will depend on getting the 40 or 50 biggest names back on the field, according to Professor Ronald Seeber of Cornell University's School of Industrial and Labour Relations.

In fact the stars seem to be the most vulnerable to pressure. Players are losing one-sixteenth of their annual salaries per week so those with life styles and alimony payments to match their six-figure salaries are being hurt the most.

Fans worry that the owners' tactics will do long-term damage to team spirit since some players have crossed picket lines less than graciously. Mark Gastineau, long detested by his New York Jets team-mates for his antics on and off the field and his penchant for turning up to practices in a Rolls Royce, joined the scabs amid scuffles and spitting.

'He has an IQ of about room temperature,' was one of the more temperate and reportable remarks from a striking player.

Peru bank moves to sidestep new law

By Barbara Durr in Lima

THE OWNERS of the Banco de Credito, Peru's largest private bank, sold their shares to their employees on Monday as the country's controversial bank nationalisation law went into effect.

In a move to avoid being expropriated, the bank sold 50.57 per cent of its stock to 4,300 employees, giving them control of the Banco de Credito. A further 30 per cent of the stock was already in the hands of small shareholders. The remainder, owned by two foreign banks, Ubersee of Switzerland and Sudameris of France, will eventually pass to the state.

The Government immediately denounced the Banco de Credito's move as "an underhanded manoeuvre which mocks the nation." In a bristling communique from the Ministry of Economy and Finance, the Government said it would proceed with the nationalisation even if it meant expropriating the employees.

The law prohibits any shareholder from having more than 40 tax units worth of stock, or approximately $11,200 at current tax and exchange rates, and the Banco de Credito's sale is carefully under this limit.

But the Government argues that the bank's sale does not meet another provision of the law, which limits the overall control of such small shareholders to more than 30 per cent.

The employees' purchase was financed by the bank's own financing company, also subject to expropriation, and it used the stocks themselves as collateral. The Government has closed the stock market and declared a partial two-day Bank Holiday.

The sale complicates further the implementation of the nationalisation law, which is caught up in a morass of court actions. The legal battle by owners of the 10 private banks, 17 insurance companies and six finance companies promises to be lengthy.

Some bankers and insurance executives are sleeping in their offices in wait for a government takeover. Mr Francisco Pardo Mesones, president of the Association of Banks and of the Banco Mercantil, has been living at his bank since September 28.

The Government is attempting to find what one official called "more subtle" ways to dislodge Mr Pardo and others from their offices.

Commonwealth in attempt to avoid clash on S Africa

BY ROBERT MAUTHNER IN VANCOUVER

COMMONWEALTH leaders yesterday began new attempts to work out a joint programme on Southern Africa in a considerably less acrimonious atmosphere than that which prevailed at their last two summits in Nassau in 1985 and London in 1986.

Pre-conference skirmishes pitting the African countries and, this time, the host nation, Canada, against Britain, have given the impression that another bitter clash is in the offing. Yet there are clear indications that most member countries want to avoid such a conflict.

President Kenneth Kaunda of Zambia, the leader of the African frontline states, appears to have adopted an unusually relaxed posture in his bilateral meetings with Mrs Margaret Thatcher, the British Prime Minister, and Mr Brian Mulroney, the Canadian Premier, and co-chairman of the conference. Although in public, Mr Kaunda has continued to lambast Mrs Thatcher for her refusal to adopt more comprehensive sanctions against Pretoria, in private he seems resigned to the impossibility of forcing her to change her mind.

Mr Mulroney has shown similar realism, while stressing that Canada will continue to advocate more wide-ranging economic measures against South Africa. The Canadian Prime Minister has been irritated by a somewhat ham-handed attempt by British officials to cross swords with him over the effect, or lack of it, that the measures adopted by Commonwealth leaders last year have had on Canada's trade with South Africa.

However, Mr Mulroney has emerged with flying colours from the incident, since he was able to demonstrate that the figures employed by the officials referred to the period before the sanctions were applied.

In the absence of a desire to push Mrs Thatcher up against the wall, the leaders are expected to concentrate on ways of providing economic aid and help with infrastructure to the hard-pressed African frontline states.

Britain has, so far, poured cold water on a Canadian proposal that a permanent group of Commonwealth ministers or officials should be set up to foster a dialogue or maintain contacts with influential South Africans. Mrs Thatcher believes that such a move, reminiscent of the Eminent Persons Group which went to South Africa in 1985 and 1986, would serve no useful purpose.

In a speech to the opening session of the conference, Mrs Thatcher put the emphasis on the positive policies which the Commonwealth could pursue. Apartheid was a detestable system, so the conference should come up with constructive ways of dealing with it rather than indulge in vain disputes.

She stressed the need to give aid to the frontline states and develop technical and scientific co-operation within the Commonwealth.

US likely to impose punitive tariffs on key Brazilian imports

BY IVO DAWNAY IN RIO DE JANEIRO

THE US Government is expected shortly to announce punitive tariffs against key Brazilian exports in retaliation for Brasilia's refusal to grant an import licence for computer software.

A decision to press ahead with retaliatory action, as reported in late editions of the Financial Times yesterday, was taken unanimously last week by the interministerial Trade Policy Review Group and is set to be endorsed by the cabinet-level Economic Policy Council, chaired by Mr James Baker, the US Treasury Secretary, which was due to meet yesterday.

The seriousness of the move reflects mounting anger in Washington at Brazil's authorisation last month of a ban on microcomputer software from Microsoft, the US company.

The Brazilian ban is estimated to cost the US between $100m and $200m a year in lost microcomputer software sales.

US trade officials had believed that a full year of talks with Brasilia, concluded successfully last June, had ensured that no such ban would be introduced without consultations or, alternatively, approval by the Brazilian Congress.

However, last month the country's Special Secretariat on Informatics (SEI) ignored these procedures and refused the licence on the grounds that there was already a Brazilian national equivalent of the software.

It is understood that confidential high-level talks, involving President Jose Sarney in the past few days have failed to have the ban withdrawn.

Concern over the impact of a trade dispute with Brazil on delicate negotiations on the country's $113bn foreign debt is said to have inhibited calls for tougher actions against its market protection policies in the past.

New findings uncovered in Goiania radiation leak

BY OUR RIO DE JANEIRO CORRESPONDENT

DOUBTS have been raised over when health authorities first became aware of the tragic radiation leakage in Goiania, central Brazil, which contaminated about 243 people, leaving 20 of them critically ill.

Officials have claimed that the leak - caused when a scrap metal merchant broke open some abandoned radiotherapy equipment - first came to light on September 28. But new evidence suggests that victims reported the burns and sickness a full week earlier.

In addition, it has been reported that the radiotherapy institute, where the equipment containing highly-toxic isotope caesium-137 was being kept, was found to be empty as far back as September 13.

The discovery has been made by Mr Romeu Tuma, the federal police chief investigating the disaster.

The new claims have increased concern over the monitoring of radiation equipment, which is widely used in the cancer treatment.

Hundreds of machines are in service in Brazil and an immediate check following the accident found that at least two were inadequately supervised.

Critics are now suggesting that the leak was known earlier than has been officially acknowledged. If it was not, they claim, then lack of diagnostic skills must be added to already widespread concern over the speed and efficiency of the clean-up operations.

Republicans press Shultz on Soviet missile treaty

BY LIONEL BARBER IN WASHINGTON

A BLOC of conservative Republican senators is pressing the White House to raise the issue of Soviet violation of the 1972 Anti-Ballistic Missile Treaty prior to the forthcoming visit to Moscow by Mr George Shultz, US Secretary of State.

The conservative campaign is impeccably timed because Mr Shultz is set to wrap up details on an arms control treaty which would eliminate all shorter and medium-range (INF) missiles in the US and Soviet arsenals.

Methods of verification have yet to be finally agreed. By raising the question of Soviet good faith, the Republicans hope to shape future debate in the Senate, where the INF treaty must be ratified.

The conservatives, led by Senator Jesse Helms of North Carolina, the ranking Republican on the Senate Foreign Relations committee, claim that the Soviets are deploying mobile ABM radars near Kiev, in the Ukraine, in defiance of the treaty, the New York Times said yesterday.

The Republicans have a second goal: they want the Reagan Administraton to drop its strict adherence to the ABM treaty and opt for a "broad interpretation."

WORLD TRADE NEWS

US accused of breaching Gatt standstill pact

BY WILLIAM DULLFORCE IN GENEVA

THE US was charged yesterday with two breaches of the standstill agreement reached at Punta del Este last year, when Gatt's trade-liberalising Uruguay Round was launched.

Australia told the Round's surveillance body that the increased funding for the US Export Enhancement Programme (EEP), announced at the end of July, showed a clear intention to escalate the use of export subsidies on farm products.

Japan complained that the $300m a year tariffs imposed by the US on Japanese power drills, computers and other electronic goods last April infringed Gatt rules and was thus inconsistent with the US standstill commitment.

Washington imposed the tariffs in retaliation for alleged Japanese failure to abide by a US-Japan agreement on semiconductors signed in September 1986.

Under the Punta del Este standstill governments undertook not to introduce new restrictive import measures while the Uruguay Round was in process.

Complaints of breaches submitted to the surveillance body lead to no sanctions against offenders. To gain redress countries have to resort to Gatt's normal trade dispute procedures. But the political branding of a complaint is seen within Gatt as something to be avoided.

Mr Alan Oxley, the Australian ambassador to Gatt, said the US decision to extend the EEP's operation once the $1.5bn originally authorised for it was exhausted left no upper limit on its funding and no time limit on its application. He pointed out that one element of the standstill was to prevent countries improving their negotiating positions in the Uruguay Round.

The US share of the world wheat and flour markets had climbed from 28.4 per cent in 1985/86 to 31 per cent in 1986/87.

Subsidies to US traders through the EEP had severely reduced world prices for wheat, wheat flour and barley. Escalation of the EEP would ensure that prices, returns on investment and market access would be determined by administrators rather than by market forces, Mr Oxley charged.

Mr Charles Bloom, an assistant US trade representative, recalled that in the Uruguay Round in July the US had submitted a proposal for the abolition of all export subsidies. Reagan Administration policies had also reduced the area under cultivation in the US by some 20m hectares.

The Japanese complaint against the US import tariffs was received with less sympathy. The general reaction was that the US and Japan had been hoisted with their own petard after concluding a deal on semiconductors which infringed Gatt.

A Gatt disputes panel is examining an EC charge that the US-Japanese agreement contravenes Gatt.

Finnair to share in joint flight reservation system

BY SARA WEBB, STOCKHOLM CORRESPONDENT

FINNAIR, the international carrier, has agreed to join Amadeus, the joint computer reservations system set up by Air France, Iberia, Lufthansa, and Scandinavian Airlines.

It is to take a share in the Amadeus system and will be connected to the system via a marketing office in Helsinki which will be up to 95 per cent owned by the airline and which will provide information for travel agents in Finland.

The airline has not yet decided whether it will take an equity stake in the Amadeus holding company or in the central marketing company, both of which are in Madrid.

Amadeus is still in discussions with seven other airlines - Icelandair, Aer Lingus, Olympic, Sabena, Turkish Airlines, Air Portugal and JAT - though none of these has yet given a firm commitment.

These airlines, along with Finnair, have been offered a 20 per cent share in the system.

Greece to buy natural gas from Algeria

By Andriana Ierodiaconou in Athens

ALGERIA HAS agreed in principle to supply Greece with 12bn cubic metres of natural gas over 21 years.

The details of a final agreement are still to be worked out. Under a plan unveiled last May by the Greek Energy and Industry Ministry, Greece plans to secure the supply of 1.2bn cubic metres of natural gas from the Soviet Union and Algeria starting in 1992, to be increased to 2.5bn cubic metres by the year 2002.

A framework agreement for the provision of Soviet natural gas by pipeline via Romania and Bulgaria was signed in Athens on October 7, opening the way for negotiation on the details including the price.

Greece hopes to cover this mainly with goods and services, including agricultural products and the repair of Soviet commercial vessels in Greek shipyards.

Swedish optical fibre order for Pacific Dunlop

By Chris Sherwell in Sydney

PACIFIC Dunlop, the Australian rubber and electrical products group, yesterday claimed a major breakthrough for its Olex Cables division with a contract to supply optical fibres to Sweden's telecommunications authority.

The deal, with Televerket, is worth only A$10m, but was said to have been achieved in stiff competition and at the expense of Ericsson of Sweden and an unnamed Japanese manufacturer.

Pacific Dunlop is currently bidding jointly with Telecom Australia for a A$50m contract in Thailand to supply a combined microwave and optical fibre cable trunk network.

China air link plan

Malaysia's national airline plans to introduce weekly flights to China next January, Reuter reports.

Malaysian Airline System is negotiating with China's Civil Aviation Authority to launch a charter service to Canton. China's national airline will probably fly once a week to Malaysia.

Panama bid to boost ship register

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

PANAMA is to offer cut-price registration to all shipowners seeking to join its open flag shipping register, Dr Hugo Torrijos, director-general of maritime affairs said in London yesterday.

The announcement follows the introduction last year of a discount of 30 per cent for ships of 75,000 gross registered tons and above - worth at least $15,000 per ship.

Dr Torrijos said the limited discount had attracted half of the 74 ships which joined the register last year, when total tonnage increased by 3.3m grt to 60m grt, second only to Liberia.

The success of the scheme has encouraged Panama to extend it to cover ships of all sizes, probably from the end this year.

The announcement marks an attempt by Panama to reverse its recent policy of concentrating on attracting bigger ships, which has led to an exodus of smaller vessels from the register as feeshave increased.

Panama also faces increasing competition from other open flag registers such as Cyprus and the Bahamas, and from the development of offshore registers by traditional maritime nations such as Norway and the UK.

Dr Torrijos said the register was also considering allowing owners of ships of more than 75,000 grt to stagger their initial payments over 12 months.

This could provide some shipowners with a substantial improvement in cash flow, since first year payments for a large ship such as a 250,000 dw ton oil tanker amount to over $200,000.

Dr Torrijos also announced plans to continue Panama's attempts to improve the image of the register.

In an attempt to reduce the casualty rate of Panamanian vessels, all ships of more than 20 years old will have to pass an inspection before being accepted onto the register, he said. Ships of this age were previously allowed to sail under the Panamanian flag for six months before facing an inspection. However, the proportion of older ships on the register has fallen to 18 per cent from more than 50 per cent 10 years ago.

Dr Torrijos said marine examinations for seafarers, introduced last year to tighten up standards of seamanship, had been a success. The failure rate for officers was 2.3 per cent, and for ratings 5 per cent.

The pass mark has been set at a level to make sure the Panamanian fleet is not deprived of large numbers of seamen, but the examination does meet minimum international maritime safety standards.

Tim Dickson reports on a key judgment on an EC proposal

Court puts hormone ban to test

A KEY judgment on the controversial use of hormones in meat production will be eagerly waited today by interested parties in what has become one of the more absorbing legal and political battles in the European Community in recent years.

In Luxembourg this afternoon the advocate-general of the European Court of Justice delivers his opinion in a test case brought by the British Government (and supported by Denmark). US trade officials, international farm lobbies and European consumer groups will be among those carefully weighing up his words.

With more than $135m of annual meat exports to the EC at stake, the Americans have been noisily threatening a new transatlantic trade war if the Community does not agree to drop, or at least postpone, a ban which Washington and others consider politically-motivated and scientifically without justification.

Besides the question of beef, however, this afternoon's case also concerns vital principles of Community decision-making procedure which have widespread implications in Britain and elsewhere for future legislation covering plant and animal health.

Mere mention of the events of the night of December 19 1985 still provokes strong reactions from Brussels negotiators who were present during the crucial meeting of EC farm ministers which agreed the hormone prohibition. It was certainly a bad-tempered and at times theatrical occasion with two agriculture ministers at one stage reported to be literally at each other's throats.

The outcome the next day was an EC directive passed by a qualified majority of member states (but opposed by Britain and Denmark) outlawing the use of all hormones or growth promoters which farmers implant in the ears of beef cattle for fattening, as from 1 January 1988.

The background to the EC decision can be traced back to 1980 when consignments of veal-based baby food in Italy were found to contain huge quantities of the unlicensed hormone diethyl stilboestrol (DES). Reports of babies growing breasts and enlarged genitals fuelled an EC-wide ban on the group known as Stilbenes - which includes DES - but the momentum from consumer groups and notably from the then highly influential Green Party in West Germany for an outright ban was starting to grow.

This is considered a key issue of principle in London, especially since the introduction earlier this year of more majority voting in the Community under the cumbersomely-named Single European Act (SEA). Along with many other member states, the UK is particularly sensitive about plant and animal health matters and is anxious to have the protection of a special safeguard clause built into the SEA under the legal base known as Article 100A.

The fear is that the hormone proposal - submitted and decided under the pure majority voting rules of Article 43 - could be used as a precedent by the Commission to undermine the freedom of the UK to keep out serious plant and animal diseases, such as foot and mouth and Colorado beetle.

This afternoon's opinion by the advocate-general will not be the end of the matter but in the vast majority of cases his views are reflected in the final judgment, which is expected before the end of the year.

With more than $135m of annual meat exports to the EC at stake, the US has been threatening a new transatlantic trade war

Given the external trade implications, many in Brussels are secretly hoping that the court will uphold the British position and enable the Commission and the Council at least to delay the ban without too much loss of face.

In June 1984 the EC put forward a proposal to prohibit the most common artificial products (trenbolone acetate and zeranol), arguing that no evidence justified the inclusion of the "natural" hormones progesterone, testosterone and oestradial 17-beta which had been cleared by the Brussels executive's own scientific committee. But the Commission changed its mind and amended the proposals to a complete ban following an overwhelming motion to this effect in the European Parliament.

Those ranged against the directive - not just the US, but the Australians and other meat exporters who use hormones, as well as the pharmaceutical companies which sell the substances - have been waging an angry campaign which has become increasingly vocal over the last few months as the January 1 deadline approaches. They claim among other things that there is no health risk from any of the five growth promoters covered by the ban and that, despite assurances to the contrary, therapeutic uses will effectively be ruled out.

Finally they claim that most member states in the Community lack the will and the money to implement and police their own legislation.

The US has challenged the ban in the General Agreement on Tariffs and Trade (GATT) Standards Code Committee and has threatened to retaliate with sanctions which are widely expected to be aimed at West German industrial goods as well as EC farm trade. But all observers agree that Britain's case against the Council of Ministers in the European Court of Justice will determine the next moves.

Although the UK Government has argued in the hearing that the Commission and ministers ignored crucial scientific evidence, the case rests mainly on the issue of whether the decision should have been taken by a qualified majority of member states or whether it should have been unanimous.

Plessey in £7m China deal for System X

By Terry Dodsworth

Plessey, the UK electronics group, reached agreement yesterday on the second large overseas order for System X, the UK-developed digital telephone exchange, with a contract in China worth almost £7m.

The deal, with China Railways, follows Plessey's sale of a System X exchange to Colombia six months ago for about £17m. The only other overseas contract for the exchange was in the West Indian island of St Vincent, where General Electric Company, which shared in the development of the switch with Plessey, has taken a small order.

The China contract, awarded as part of the Zhengzhou-Baoji Railway Electrification Project, and financed by the Overseas Economic Fund of Japan, follows three years of negotiations in competition with suppliers from Europe, the US and Japan. Delivery of the 26 exchanges covered by the deal is scheduled for 1989.

Plessey said yesterday that the exchanges would have a capacity of 24,000 lines, indicating that the Chinese will be paying around £250 a line. This price included an extensive training and service commitment.

Other new markets where Plessey is trying to achieve a breakthrough with System X include the Soviet Union and Bulgaria. The company is thought to be close to a deal in both these countries, but final success may depend on a change of rules on the export of Western high technology products to customers within the Eastern bloc.

Italian-Soviet joint venture

FATA European Group of Turin has signed an agreement with Volzhsprodmash, the Soviet industrial group, to produce refrigeration equipment, in the first Italian-Soviet joint venture, AP-DJ reports from Turin.

Fata, an engineering company specialising in the design and construction of turnkey plants, said the joint venture, called Sovitalprodmash, was expected to have an annual turnover of $480m.

Former Guinness chief complains of vendetta

BY NICK BUNKER

IN A colourless, impersonal rented room overlooking a rain-soaked street in central London Mr Ernest Saunders, the former Guinness chairman, held what he called "a family tea-party" yesterday afternoon.

For more than 50 minutes Mr Saunders, defended his past, painted a bleak picture of his financial future and hinted darkly at conspiracies in high places against him.

There were "big and powerful forces" ranged against him, he said, and an apparent determination to make him "the overall scapegoat." He spoke of "DTI (Department of Trade and Industry) inquisitions", and "DTI squads" who questioned him.

Flanked by his son James, a 21-year-old law student, Mr Saunders also said: "We shall tell you what it is like to have a family that has been ripped apart."

Though he was speaking to what he called "his friends in the press," he nevertheless condemned "a plethora of horrible stuff" that had been printed in the media.

These had contributed to his wife's first nervous breakdown, while his arrest on criminal charges in May had precipitated the second, he said.

Three threads ran through his remarks at the press conference. It had been hastily organised without the presence of lawyers in the Waldorf Hotel by family friends and by his son and daughter Jo within 90 minutes of leaving a magistrates court yesterday afternoon.

First, he was a man more sinned against than sinning, who had always placed shareholders' interests first, but was now the victim of "an orchestrated vendetta" by former friends and colleagues. "I have nothing to hide," he said.

Since he had to sell his family home earlier this year, he had been living on £600 a week and had had to discover London buses and Underground trains, he said. "There is not a day when I am not approached in the Underground by people who are smallish Guinness shareholders who come up to me to offer their support," he claimed.

Second, he was close to ruin - paying out of his weekly £600 school fees for his younger son, his wife's medical bills in Switzerland, where he is to join her tomorrow for a week, and his steeply rising legal bills.

He was never a wealthy man, he claimed: "The portrayal of me in the role of a world tycoon with yachts all over the place is just crazy." He said he foresaw that the cost of defending himself would leave him "a millionaire in debt terms."

The third refrain was the suffering of his family - especially his wife who, he said, was seriously unwell and living in a rented studio flat in "an unfashionable Swiss village where I used to go skiing in happier days."

Steel chairman for Eurotunnel

BY ANDREW TAYLOR

SIR Robert Scholey, chairman of British Steel, and Dr Tony Ridley, chairman and managing director of the London Underground, have joined the board of Eurotunnel, the Anglo-French Channel tunnel group, as non-executive directors.

Mr Pierre Durand-Rival, Eurotunnel's French managing director, has also been appointed to the board. Mr Durand-Rival who was responsible, among other projects, for the construction of the Solmer steelworks near Marseilles, took over from Mr Jean-Loup Dherse

Mr Dherse who remains on the Eurotunnel board has gone to the Vatican where he has been appointed executive secretary to the Synod of Bishops in Rome.

The appointment of three new directors, particularly such well known and and influential figures from the heavy engineering and transport sectors, will strengthen Eurotunnel's board in the run-up to next month's £750m international share offer.

Shift on industrial policy puts stress on wealth creation

BY KEVIN BROWN

A MARKED shift in the policy objectives of the Government's trade and industry department was announced yesterday.

Lord Young, Trade and Industry Secretary, said yesterday that there was to be a comprehensive review of the department's role.

He said the objectives were intended to complete the move away from industrial interventionism begun in 1979 by Sir Keith Joseph, Mrs Margaret Thatcher's first Industry Secretary.

Lord Young said the department had coped with the problems of failure in many sectors of industry and was now faced with the problems of success.

"What we have today is a different world. We don't have to the same degree the lame ducks that have to be kept going, or the strategic decisions that have to be made," he said.

Lord Young also said the objectives were intended to complete the integration of trade and industry matters within a single department. They make no mention of trade policy, however.

The objectives replace detailed guidelines drawn up by Mr Norman Tebbit, now chairman of the Conservative Party, which emphasised international competitiveness, innovation, and the creation of a sympathetic fiscal climate.

Under Lord Young, the emphasis will switch to wealth creation, reduction of bureaucracy, and working to promote best practice and a climate of enterprise.

The four key objectives are:

- To produce a more competitive market by encouraging competition and tackling restrictive practices, cartels and monopolies;
- To secure a more efficient market by improving the provision of information to businesses about new methods and opportunities;
- to create a larger market by privatisation and deregulation;
- To increase confidence in the working of markets by achieving a fair level of protection for consumers and investors.

Lord Young said he wanted the DTI to be a "department for enterprise," which would to help lay the foundations of a more productive and prosperous society.

The review is thought unlikely to produce a major shift in areas such as competition policy and subsidies to loss-making industries such as shipbuilding.

But there is likely to be a shift away from providing research and development grants to big companies,

The review will also consider the future of relocation grants to industry, which Lord Young is believed to regard with some scepticism.

The new approach is likely to concentrate on ensuring that advice is available to industry, and encouraging companies to collaborate where this would be mutually beneficial.

Post Office plans fast delivery to Europe

Financial Times Reporter

THE Post Office is planning to introduce a scheduled same-day delivery service to Europe which is aimed at the growing business market for express mail delivery services.

International Datapost, the Post Office's courier and express services division, is expected to announce the start of the new delivery service later this week.

Initially, the service will be limited to collection of post in central London - before 10.30am - and delivery in Paris, Amsterdam and Dublin between Monday and Friday.

It is envisaged that further collection and delivery areas may be added later, however.

The service will be marketed by the Post Office as the first scheduled same-day service to Europe.

It is aimed partly at regular consignments of urgent documents and packages.

Similar delivery services to many European cities are already offered on an ad hoc basis by private companies such as DHL, the worldwide couriers.

The announcement of the scheduled service is the latest shot in an increasingly competitive battle between the Post Office and the private sector for dominance in the express mail market.

The heads of 12 national post office organisations, including the UK, recently agreed to set up a joint company to handle the sorting and despatch of their share of the market.

Safety inspectors put brake on construction boom

BY DAVID BRINDLE, LABOUR CORRESPONDENT

FACTORY INSPECTORS are ordering a total or part stoppage of work on one in five London building sites in a crackdown on safety standards.

The crackdown on London's booming construction sector is described by the Factory Inspectorate as a "blitz." It follows the deaths of three workers on building sites last week. The national average of fatalities in the industry is normally two a week.

On Monday, the first day of the purge, inspectors making unannounced visits to about 100 building sites issued prohibition notices in 19 cases, ordering at least some work to stop until safety precautions are improved.

The pattern was repeated yesterday and the crackdown is expected to continue for about a month.

The construction industry has a notoriously poor safety record. In 1985-86, it reported 109 fatal and 2,234 "major" employee accidents - an incidence rate of 2,385 per 100,000 employees compared to 95.8 per 100,000 for manufacturing industry.

The Factory Inspectorate says the picture is worsening as a result of the increasing fragmentation of the industry through sub-contracting, self-employment and the growth of small companies.

Mr David Eves, chief inspector of factories, said yesterday: "Complacency, lack of concern, ignorance and often sheer bloody-mindedness are preventing improvements in the construction industry. My inspectors are not by nature cynical, but they are forced to the conclusion that a substantial number of smaller firms in the industry have little regard for their workforce as human beings."

Mr Eves disclosed that the provisional statistics for the industry for 1986-87 showed 123 fatal accidents to employees and others and 3,601 major injuries, although the reporting system has changed since 1985-86.

The crackdown in London follows similar initiatives in other parts of the country. The inspectorate has in the past been reluctant to issue prohibition notices, but Mr Eves warned yesterday that "the gloves are off."

Most of the prohibition notices are being issued for relatively basic failings such as unshored excavations, unguarded holes, missing guiderails and unsafe lifting gear. In each case, work can resume only on an inspector's authorisation.

The annual report of the Chief Inspector of Factories, published yesterday, shows that 52 per cent of construction accidents are falls, slips or trips and another 20 per cent are caused by falling objects.

The report criticises many construction companies for allowing an estimated 70 per cent of building employees to work without wearing safety helmets.

Report by HM Chief Inspector of Factories 1986-87; HMSO; £11.

Union warns of job losses after electricity sell-off

BY CHARLES LEADBEATER, LABOUR STAFF

PRIVATISATION of the electricity supply industry could lead to between 170,000 and 200,000 job losses in the electricity, coal, rail and power engineering industries, according to a trade union research paper.

The paper, prepared by the National Union of Mineworkers, says the job losses would result from an increase in imported coal and a drive to raise productivity in the electricity supply industry closer to international levels.

The paper was presented at a series of fringe meetings at party political conferences this autumn organised by Friends of the Earth, the environmental pressure group.

It says that between 30m and 48.6m tonnes of UK coal production could be displaced by imported coal, with the loss of between 47,000 and 69,000 miners' jobs.

This would imply the closure of all deep mines in Scotland by the early 1990s, all the North-East's deep mines by the mid-1990s, all north Derbyshire and Kent mines by the late 1990s, as well as extensive cuts in manpower in Nottinghamshire, Yorkshire and South Wales.

Hundreds of rail and seafaring jobs would also be lost if coastal power stations turned to imported coal. A privatised electricity industry might also turn to foreign suppliers for power station equipment, forcing rationalisation in the UK industry, including the possible closure of one big supplier with the loss of 15,000 jobs.

The paper predicts that between a half and a quarter of the 130,000 jobs in the electricity supply industry could be lost because private owners would press for improvements in productivity to bring the industry up to international standards.

An average British 2,000 megawatt coal-fired power station is staffed by 844 workers compared with 630 in West Germany, 580 in the Netherlands and 215 in Japan.

These direct jobs losses would be amplified by the possible loss of an additional 70,000-100,000 in companies which depend on the electricity industry.

Britain faces 'serious' computer staff shortage

BY JIMMY BURNS, LABOUR STAFF

BRITAIN is experiencing a serious shortage of skilled computer staff. If present trends continue, the UK's high technology industry could face a shortfall of 53,000 by 1991, a conference organised by the Confederation of British Industry has been told.

The increasing difficulties which UK companies are finding in the recruitment of computer staff is now widely accepted within industry. But the severity of the problem was underlined at the conference by Mr Rick Firth, group manager for education and training at the National Computing Centre.

"Many companies are now viewing with mounting concern that the lack of skilled staff has now replaced the lack of the right equipment as the main impediment to the development of information technology," Mr Firth said.

A survey conducted by the National Computing Centre among its 2,000 corporate members found that there was an estimated UK shortage of 16,000 in applications for development staff engaged in research and development, and a growing shortage of systems programmers and network staff.

This has happened despite strong five-year growth predicted for most categories of information technology staff by a majority of the companies questioned.

Mr Firth blamed the shortfall on the continuing low level of attention companies were giving to training. Only one in three companies in the computer industry had recruited trainees over the past year, he said. "Everyone is chasing the same poeople in the market and too few new people are coming in."

The problem was illustrated by the recruitment of trainees in the computer industry registered under the Government's Youth Training Scheme. Numbers had fallen over the past year from 1,200 students to 200.

According to Mr Firth, companies were caught in a trap. They were having to pay out increasingly high salaries to retain staff in an industry characterised by a high level of labour mobility; they were exhausting resources which would otherwise have been used on training.

Annual turnover of certain categories of computer staff nationally was more than 20 per cent, with rapid turnover most marked in the London and the South East of England and in small companies.

Engineering employers to vote in secret ballot

BY CHARLES LEADBEATER, LABOUR STAFF

EMPLOYERS in the engineering industry are to vote in a secret ballot on whether to accept a draft agreement with the industry's trade unions to trade off cuts in working hours for the introduction of more flexible working practices.

The vote among the 5,000 members of the Engineering Employers Federation is the first full-scale secret ballot among employers on an industrial relations issue in recent years. While EEF companies have voted recently on the federation's constitution, its members last voted on an industrial relations issue, a wage settlement, more than 15 years ago.

The agreement proposes a phased cut in the working week of 600,000 manual workers in return for mobility and flexibility on the shopfloor and greater variability in weekly working hours.

While secret ballots have become a common feature of industrial relations in recent years as a result of Government changes to trade union law requiring unions to hold ballots before strikes action, the Electoral Reform Society said it was rare for employers' associations to hold ballots of their members over industrial relations issues.

Rise in car exports helps cut motor trade deficit

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A SUBSTANTIAL increase in the value of car exports helped produce a slight decline in Britain's motor industry trade deficit in the first half of this year compared with the same period in 1986.

The deficit eased back to £1.953bn from last year's record £1.998bn in the first half.

However, hopes that the significantly reduced deficit recorded in the first quarter of this year would set a trend have been dashed.

Only one sector, parts and accessories, put up a worse performance this year and the deficit increased from £72m in the first half of 1986 to £396m.

The Society of Motor Manufacturers and Traders, which compiles the statistics from Customs and Excise figures, suggests that currency movements have contributed to the 28 per cent increase in the cost of imported parts and accessories.

However, the society says: "There are good reasons to believe that demand for imported components will remain strong."

Some imported components are built into UK-produced cars and a growing proportion of vehicles on the roads were imported.

UK MOTOR TRADE (£M) - first half

	1986	1987
Exports		
Cars	637	929
Comm. vehicles	182	201
Parts/accessor	1379	1462
Others*	427	440
Imports		
Cars	2528	2500
Comm. vehicles	435	428
Parts/accessor	1451	1858
Others*	215	198
Trade balance		
Cars	-1891	-1571
Comm. vehicles	-253	-227
Parts/accessor	-72	-396
Others	212	242
Total balance	-1998	-1953

*Others includes agricultural tractors, dumpers, trailers, caravans, industrial works trucks and freight containers.

Source: Society of Motor Manufacturers and Traders and Customs and Excise

In the first half the number of cars exported increased by 17 per cent to 125,526 while their value was up by 46 per cent to £929m. This reflected the increase in exports of built-up cars rather than kits and their higher value, particularly those cars from Jaguar and Austin Rover exported to the US.

The society says that the rising trend in exports can be expected to continue into the second half of the year, given that the momentum generated by the depreciation of sterling during 1986 has still to be fully felt.

Imports of cars, which fell by 12 per cent in the first half to 512,626, are expected to remain well below last year's level as the major importers Ford and General Motors-Vauxhall provide more cars from their UK factories. "In value terms the picture is different as a lower sterling has made those cars still being imported more expensive," the society points out.

Exports of commercial vehicles up to 3 tonnes gross weight increased by 30 per cent to 16,007 in the first half while exports of other commercial vehicles rose by 1 per cent to 12,606. Imports of goods vehicles of up to 3 tonnes dropped by 23 per cent to 36,138 and those of other goods vehicles were down by 12 per cent to 17,345.

Colombia sues Chase over 'lost' $13.5m

By Raymond Hughes, Law Courts Correspondent

THE HIGH COURT was told yesterday that $13.5m (£8.2m) belonging to the Republic of Colombia disappeared after being transferred from the London branch of Chase Manhattan Bank on the strength of forged and fraudulent instructions.

In an action estimated to last up to 10 weeks, Colombia is seeking a declaration that it is entitled to have the $13.5m recredited to its account by Chase.

Colombia alleges that Chase's banking practices fell beneath those recognised by other international banks operating in London.

Chase contests the claim, denying liability and counter-claiming damages. Chase alleges complicity in the fraud on the part of Colombian government or bank officials.

Lord Irvine, QC, for Colombia, told Mr Justice Gatehouse that in May 1983 the London branch of Chase transferred the $13.5m - part of a $47.2m loan made to Colombia by Chase the previous year - from the Colombian account on the basis of untested and unverified telexes purporting to come from the Republic.

The funds were transferred to Morgan Guaranty Trust Company of New York and from there to Bank Hapoalim (Switzerland) in Zurich, from where they disappeared.

Lord Irvine said the procedures and systems of Chase London suffered a lack of internal control. There were no properly defined divisions of responsibility and inadequate mechanisms for internal communications. The practices of Chase fell significantly beneath the standards recognised in principle by it and recognised by other major international banks operating in London.

The responsible personnel had not heeded or observed many exceptional features of the telexes which should have struck them as highly suspicious and made verification essential.

Lord Irvine said that in its defence Chase made a number of serious allegations of complicity in fraud and dishonesty on the part of a former Colombian Minister of Finance and a former Director General of Public Credit in Colombia, both of whom had come to London to give evidence.

The hearing continues today.

Governor hits at putting banks 'into play'

MR ROBIN LEIGH-PEMBERTON, Governor of the Bank of England, spoke last night about the ownership of UK banks. Here are extracts from his speech.

Speculative buying: Frankly, we do not look favourably on acquisitions of stakes designed to put banks "into play," solely with a view to making a quick investment gain.

Neither do we welcome bids whose purpose is to gain control so that the bank or the group of which it is a part may be sold or broken up in ways that may be detrimental to depositors' interests.

Uncertainty poses a particular threat. Management may leave, recruitment of vital staff may be blocked and the underlying business may be seriously affected.

Some might construe our attitude as interference with the market process and I agree that banks should not be insulated from developments in the market place.

But I repeat my view that banks, with their fiduciary responsibilities to depositors and their vulnerability to reversal of confidence, are different.

Acquisitions by industrial companies: We will also take a close interest in the nature of the prospective controller, and in this connection I have to say that I would need some persuading before an industrial or commercial company is allowed to take control of a bank; and the closer the bank to the heart of the financial system, the greater my doubts are likely to be.

Too close an association with a non-financial company could raise, in a particularly sharp form, questions about conflicts of interest in the conduct of a bank's business. Such questions are present even in associations between different types of financial company and much work has gone into the supervisory problems that may arise; but industrial connections raise problems of a different order.

There is also the question of contagion. This runs in two directions. It is undesirable that banks should be exposed to a loss of confidence as a result of difficulties in a non-financial parent or associate. And, looking beyond that prudential concern, it would seem to me wrong for developments of that kind to give rise to any pressure on the central monetary authorities to extend in any way their role as lenders of last resort.

Industrial and commercial companies are not part of the banking system, nor should they enter surreptitiously and adventitiously by this means.

Acquisitions by foreign interests: Overseas participation in a British bank or financial institution may increase the opportunities available to it, just as foreign participation in a manufacturing company may serve to introduce new capital and technology or to open up overseas markets.

As a general rule we would certainly not wish to stand in the way of a bank that sought to make such an alliance; and for this reason we did not raise objections to the acquisition of Northern Bank.

But I also believe that it is of the highest importance that there should be a strong and continuing British presence in the banking system of the UK. It runs counter to common sense to argue that the openness of the London market must be carried to the point where control of the core of our financial system - the payments mechanism, the supply of credit - may pass into the hands of institutions whose business aims and national interest lie elsewhere.

Labour rejects EC withdrawal

BY QUENTIN PEEL IN STRASBOURG

THE LABOUR PARTY accepts that withdrawal from the European Community is not a practical option in the foreseeable future and EC policies should be used to maximum advantage instead.

That was the message delivered to the European Parliament in Strasbourg yesterday by Mr Gerald Kaufman, shadow Foreign Secretary.

He told members of the British Labour Group, and its parent Socialist Group, that the era of outright hostility to the EC was at an end, even if the party remained sceptical about, if not openly hostile to, many community policies.

Mr Kaufman pointed to the EC social and regional policies, research programmes and environmental initiatives, as well as aid to developing countries, as areas the Labour Party would seek to exploit and encourage.

He was doubtful, however, about the realism or advantages of the drive to complete the single, frontier-free internal market by 1992, and in particular the push by Lord Cockfield, the senior British commissioner, to bring indirect tax rates closer.

He said: "A free internal market is not going to be achieved by 1992 and we all know it now." The Cockfield tax package - which would require member states to bring value added tax rates into two broad bands - was likely to fall foul of Mrs Thatcher, quite apart from arousing Labour hostility.

Mr Kaufman said a positive aspect of EC mechanisms was the ability to deal with multinational companies on a European-wide scale, which was no longer possible for individual member states. "There is a role for the community in seeking to exert greater control over multinationals," he said.

He attacked the trend towards increasing discussion of defence and security issues within EC institutions - although this was legally limited to the "economics" of security.

"We have to use the mechanisms of the community as best we can," he told a press conference. "This community is something which can provide the potentiality for progress within the world community and Britain."

Luce plans charges for libraries

By John Hunt

GREATER involvement of the private sector in the public library service with libraries charging for a wider range of specialised services is being proposed by Mr Richard Luce, Arts Minister.

Outlining his plans to the Library Association yesterday he did not give any examples of services for which libraries might charge but his department said one possibility was records and videos.

Mr Luce promised the basic service would remain free and his department said this meant there was no intention of introducing a charge to book borrowers.

The minister told the association: "I am keen for you to seize the opportunities provided by our new political and economic climate. But I cannot, nor should I, protect you from its challenges."

The libraries, he said, would have to take greater responsibility for selling themselves. Their problem was one of expansion. Public spending in libraries, as in other fields, would not be able to keep pace.

As an example of joint ventures he cited Devon Books, an organisation set up by Devon County Council in co-operation with a commercial publisher, which handles all the council's publications.

To improve the efficiency of libraries he is funding a study through the British Library to produce a manual against which they can measure their performance.

Racal launches radio-paging service

By Terry Dodsworth, Industrial Editor

COMPETITION in the UK radio-paging market increased yesterday when Racal, the electronics and cellular telephone group, launched a national service in opposition to British Telecom and Mercury.

Racal-Vodapage will offer coverage of more than 60 per cent of the UK. Growth in the radio-paging market is about 25 per cent a year. Mercury's service started only a few weeks ago.

Racal has achieved rapid expansion in its mobile car telephone business and will be basing its paging transmission network on the cellular system used for the car phones.

Prices will be based on £11 a month rental for one of Racal's 17 regions, or £99 for the purchase of a receiver and a £7 a month network service charge.

Software 'plays growing role' in computer services

BY ALAN CANE

THE computing services industry last year earned more in revenue from software than from data processing which confirms a structural change has taken place in the industry over the past few years.

Figures published this week by the Computing Services Association, which represents 145 companies in the top tier of the industry, show that, of the total revenues of £1.788bn reported by CSA members, only 16.1 per cent came from processing services while 22 per cent was derived from bespoke software.

Processing or bureau services involving the sale of time on a services company's computer to firms either without their own machine or, with inadequate data processing capacity has traditionally been the mainstay of the UK computing services business.

With the advent of low cost minicomputers and then of microcomputers, a greater proportion of companies have taken their data processing back in house and computer bureau revenue has been falling steadily. Most bureaux have turned to consultancy, hardware sales or specialist services to maintain revenues and profits.

The new figures are published in the CSA annual report which shows revenues for member companies grew at an average rate of 21.5 per cent between 1986 and 1987.

Dr Douglas Eyeions, CSA director general, noted that overseas sales by member companies totalled £251m, almost double the 1986 figure. He estimated that total exports could be as high as £327m if revenues from non-CSA companies were included.

Poll tax 'to be enforced by data list'

By John Hunt

THE GOVERNMENT is considering allowing local authorities to buy private data lists to track down people who evade the poll tax, Mr Donald Dewar, Labour's shadow Scottish Secretary, said yesterday.

He said a report to the Scottish Office on implementing the community charge in Scotland makes clear that thought was being given to the use of such lists, which were normally reserved for companies putting out mail order catalogues.

He described the proposal as astonishing and said: "There is a genuine threat to civil liberties emerging."

However, the Department of the Environment said that there was no intention of using private data lists. The Government was confident that existing information held by local authorities and the canvass they will carry out to collect names will be ample for establishing a comprehensive community charge register.

Mr Dewar and Mr John Maxton, Labour's Scottish Local Government spokesman, were giving a press conference to emphasise the impact the tax will have in England and Wales, based on what is happening in Scotland. The charge comes into effect in Scotland in 1989 and in England and Wales in 1990.

Mr Dewar claimed opposition to the Government's plans was stifled at last week's Conservative Party Conference by a rigged debate.

"As the word spreads so will opposition grow," he said. "Recent opinion polls have indicated that 57 per cent oppose the poll tax. When the argument is joined this will rapidly rise to the Scottish figure of 73 per cent."

Capital grants to Ulster manufacturers reduced

BY OUR BELFAST CORRESPONDENT

THE Standard Capital Grant available to manufacturing industry in Northern Ireland was cut by the Government yesterday from 20 per cent to 12.5 per cent, bringing estimated savings of £5m a year.

The move was immediately criticised by the Confederation of British Industry.

Mr Alasdair MacLaughlin, CBI director in Northern Ireland, said the decision was crazy and destructive and would lead to reduced levels of investment at a time when there had been a modest improvement in business confidence.

He said the grant had been used by local industrialists to install the most modern machinery available, enabling the province to attain excellent productivity records.

Mr MacLaughlin estimated that the decision had effectively removed more than £2m from the manufacturing sector based on the £30m paid out as SCG in the 1986-87 financial year.

The Government considers that the year has been exceptional because the announcement of a change to the scheme led to an increase in the number of applications. In a normal year, £18m to £20m was awarded.

The reduced rate of grant, which is available for new buildings, plant and machinery, will result in savings of £1.75m in the current fiscal year.

Announcing the reduction, Mr Peter Viggers, Northern Ireland Industry Minister, said, to be effective, public funds must stimulate new developments and promote competitiveness.

Inner city plan rejected

BY RICHARD EVANS

MR NICHOLAS RIDLEY, Environment Secretary, yesterday rejected an approach from London local authority leaders seeking a more co-ordinated response to inner city problems.

The Labour-led Association of London Authorities met Mr Ridley, Mr David Trippier, Environment Minister with responsibility for inner cities, and Mr Robert Atkins, Under Secretary for Trade and Industry, to propose a greater role for local councils in the regeneration of rundown inner areas.

Mr Ridley apparently regarded the approach as a political ploy. "There will be no compromise until you accept government policies in total," he is reported to have said.

Mrs Margaret Hodge, association leader, said Mr Ridley appeared to be trying to wipe London local government off the map. The association believes a London-wide structure should be established to allow participation at all levels

Cable franchise offered

BY RAYMOND SNODDY

THE CABLE Television Authority has decided to advertise its smallest franchise for 11,000 homes in Andover, Hampshire.

Mr Jon Davey, authority director general, said the franchise illustrated the authority's belief that cable systems would be just as important in small towns as in large cities.

Owen says he is ready for hard fight for seats

By John Hunt

DR DAVID OWEN said last night he is prepared for a long and difficult campaign to win parliamentary and local authority seats for his section of the Social Democrats which opposes merger with the Liberals.

In a rallying call to his followers he pledged himself to a "hard, grinding, nitty-gritty struggle" to build up a power base on local councils and if possible continue to work with Liberal councillors.

Dr Owen, now leader of the anti-merger Campaign for Social Democracy, was speaking in Finsbury, north London.

He said he and Mr John Cartwright and Mrs Rosie Barnes can best hold their seats by remaining with the separate SDP.

Superconductor body set up

BY JANE RIPPETEAU

THE DEPARTMENT of Trade and Industry and the Science and Engineering Research Council yesterday consolidated responsibility for UK research into superconducting materials under a joint committee chaired by Sir Martin Wood of Oxford Instruments.

In addition, the DTI and SERC appointed Dr Ian Corbett, head of applied science at the Rutherford Appleton Laboratory, as the national Joint Co-ordinator for Superconductivity.

Members of the new DTI-SERC committee, from industry, universities and the government, are to advise on national research and development, education and training priorities in superconductors. Oxford Instruments, which makes magnets for medical scanners, is one of the world's chief users of conventional superconductors, and it would be profoundly affected by commercialisation of newly-discovered compounds.

The governments in both the US and Japan have announced top-level support in superconductivity. The US Government has said it is in the process of allocating $55m (£33.3m) for research in the field and that, in addition, the Department of Defense is to allocate $150m over three years to incorporating superconductor technologies in military systems. Some of that money is expected to be redirected from other programmes.

One of the new DTI-SERC committee's first tasks will be to advise the UK Government on its selection of a national centre for superconductor research. About 10 universities have filed applications to compete for the designation.

Some academics have complained the process of setting up a centre is slowing work and diverting resources while they wait to know where the centre will be.

The Government has not said exactly how much it plans to spend on the centre, but some university dons anticipate up to £1.5m in current expenditures and £2m to £4m for capital costs. The SERC has already handed out research grants totalling £750,000.

Superconductors transmit electrical current without loss of energy. Those in use today function only when chilled nearly to absolute zero, a costly and cumbersome process. In the last year, new compounds working at easy-to-achieve warmer temperatures (though still very cold) have been identified.

However, their performance is still inferior and they are not yet cost-effective.

DTI to promote electronic mail

By Terry Dodsworth, Industrial Editor

VANGUARD, the Department of Trade and Industry's programme to raise awareness of telephone-based data services, is moving into a new phase aimed at publicising the benefits of electronic mail.

It plans in particular to identify potential user groups for electronic data interchange. This service aims to develop systems for suppliers and customers to exchange orders and invoices via a common communications network and is one of the fastest growing data service areas.

In the new programme, the DTI says it will offer support to user groups seeking to clarify trading relationships between suppliers, producers and customers.

Vanguard was launched about a year ago and has spent £1.5m on awareness-raising activities. The initiative is backed by British Telecom, IBM, INS, Istel and Midland Bank - which are contributing £50,000 each to the funding of the second phase.

Chronology of Guinness affair

January 1986: Guinness makes takeover bid for Distillers in opposition to bid from Argyll Group.

April 18 1986: Guinness wins control of Distillers for £2.5bn.

July 14 1986; Guinness announces that Saunders is to be chairman instead of Sir Thomas Risk.

September 11 1986: Saunders' appointment as chairman and chief executive confirmed by shareholders.

November 14 1986: Ivan Boesky unmasked. He gives details of his involvement in the Guinness takeover bid to US authorities.

December 11 1986: Department of Trade and Industry inspectors launch inquiry into Guinness takeover of Distillers.

January 5 1987: Finance director Olivier Roux tells Guinness board of share support operation during the takeover bid.

January 9 1987: Saunders forced to step down as chief executive.

January 14 1987: Saunders dismissed by Guinness board.

May 8 1987: Saunders arrested and charged with three offences.

July 17 1987: Court orders Thomas Ward to repay £5.2m to Guinness.

October 1: Tony Parnes arrested in Los Angeles and charged with false accounting.

October 8: Sir Jack Lyons arrested and charged with nine offences including theft and false accounting.

Kevin Brown on the fortunes of an increasingly confident industry

Truck rental takes the high road

THE WAY Jim Cleary tells it, it is a wonder the trailer rental industry ever got off the ground in Europe at all.

Mr Cleary, chairman of TIP-Europe, runs the biggest operator in an increasingly competitive market and just 15 months ago led 22 colleagues in a £60m management buy-out from Gelco Corporation, the former US parent.

Earlier this week, he announced a 51 per cent increase in pre-tax profits - to £7.2m - in the first year of independent operation and confirmed proposals to float 25 per cent of the company on the London and Amsterdam stock exchanges.

The flotation should raise about £25m, which will all but wipe out the company's debt and allow it to continue a re-equipment programme which has cost £42m over the last three years.

The priority will be to continue introducing newer vehicles to TIP's fleet of 10,000 trailers which, the company says, has improved markedly in spite of the effects of several years of half-hearted ownership by Gelco.

TIP says the average age of its premium trailers - three axle, refrigerated and curtain sides units - is now only 3½ years, which is an important selling point in the service-sensitive trailer market.

The proceeds of the flotation will enable TIP to speed acquisition of premium trailers, which have increased from 25 per cent of the company's fleet in 1982 to about 60 per cent. The proportion is expected to reach 70-75 per cent by 1990.

TIP's investment proposals reflect the industry's increasing confidence that steady growth can be sustained over the next 10 years in spite of forecasts that the total trailer fleet in Europe will remain more or less steady.

But the signs were not always so encouraging, especially when the idea of renting trailers first arrived in Europe from the US in the late 1960s.

Jim Cleary says he went for an interview with TIP chairman Michael Morris at 11am one morning and left at 8pm with his first full day's work behind him.

The UK operation started with a notional 360 trailers for rent - most of which only arrived some months later - one member of staff, and no customers.

Mr Cleary drove 50,000 miles drumming up business in the first year and must be one of the few company chairmen who can genuinely claim to have run his sales department with a John Bull printing outfit.

He also had a hard time convincing transport companies that it made sense to rent trailers rather than buy them - the worst sneers came from former colleagues at Ferrymasters, the transport subsidiary of Peninsular and Oriental Steam Navigation, where he was formerly sales manager.

But the prospects for the industry have undergone something of a sea-change in the last few years, particularly in the UK, where the attraction of contract hire was significantly boosted by the abolition of 100 per cent first year capital allowances in the 1984 Budget.

This was followed by changes in accounting regulations which required finance leases to be capitalised in the accounts, making leasing less attractive to highly-geared companies.

Financial considerations aside, the success of the trailer rental market rests on the advantages of articulated vehicles over rigid lorries and the high capital costs this can impose on transport companies.

Articulated vehicles - consisting of a "tractor" unit (the driver's cab and engine) and a separate trailer - allow operators to maximise flexibility and load capacity by using a single tractor unit in combination with several trailers - which can be dropped off for loading or shipping or left standing idle in whatever sequence best suits the operator.

Rental also makes it easier for operators to cope with fluctuations in demand, offers the opportunity to swap one type of trailer for another and avoids maintenance costs (depending on the terms of the contract).

The equipment is expensive, however: tractor units cost up to £60,000 and trailers between £10,000 and about £35,000, so operators can avoid substantial capital outlays by renting rather than buying.

The number of trailers on Europe's roads is hard to estimate because there is no requirement for registration, as there is for tractor units and rigid vehicles. Rented trailers are thought to account for 10 to 12 per cent of the UK market and 5 to 10 per cent in the rest of Europe.

But the TIP share offer proposal is only one of a number of indications that the industry is poised to increase this share of the market in the UK.

The first signs were management buy-outs at Rentco International, bought for £43m from Fruehauf Corporation of the US, and at TIP, bought from Gelco for £60m.

These buy-outs were a signal that senior managers in the companies believed the industry had a bright future.

Further evidence of confidence came with a recent announcement by Tiphook, an aggressive provider of containers, rail wagons and trailers for rent, that it proposed to spend £50m this year on 3,000 trailers to add to its existing fleet of about 4,500.

Mr Robert Montague, chairman of Tiphook, says this investment is designed to make sure his company is well placed to exploit a "dramatic expansion" he foresees in the rental market throughout Europe.

This view is echoed by Mr Cleary, who says the number of rented trailers on European roads could grow to 20 per cent of the total market over the next 10 years.

Mr Clive Anderson, transport analyst at Kitcat & Aitken, says the investment programmes announced by TIP and Tiphook reflect rental companies' increasing confidence.

Mr Anderson estimates likely growth at 7-8 per cent a year in the UK and 5-10 per cent in Europe, where the opportunities are greater but the existing penetration much smaller.

EUROPEAN TRAILER RENTAL FLEET*

Company	Base country	Fleet size	Share of rental fleet (%)
TIP	UK	10,000	23.6
Tiphook†	UK	7,500	17.7
Rentco	UK	6,500	15.4
Trailerent	UK	3,500	8.2
ITR/CETEM	Netherlands	1,500	3.5
Trailor	France	1,200	2.8
Others	-	12,000	28.4
TOTAL		42,200	99.6**

* EC and Scandinavia. † Including current expansion programme of 3,000 trailers. **does not total 100% due to rounding

Scottish paper manufacturer invests £6.6m in plant

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

TULLIS RUSSELL, the privately-owned Scottish paper maker, is investing £6.6m in a plant to make cast-coated paper and board at Glenrothes, Fife. It will become the only British-owned manufacturer of this type of quality product.

Mr David Erdal, the chairman, said yesterday demand was expanding for cast-coated paper and board products, used for the covers of documents, calendars, high quality printing and quality retail packaging. It was the right time to enter the market.

The plant, using a process licensed from S.D. Warren of the US, will begin operating in 1989 employing about 50 and will be near the company's quality paper making plant which employs about 1,000. Subsidiaries of the company operating in other parts of the paper market employ 300.

The plant will produce 4,000 to 6,000 tonnes of cast-coated paper a year. The only other manufacturer in Britain is Star, an offshoot of Kymmene-Stromberg of Finland.

Tullis Russell increased sales by 18 per cent to £70m in the year to March 31 and pre-tax profit rose 36 per cent to £6.2m. Mr Erdal said the company had benefited from the favourable trade cycle in paper making. Demand for most products is strong, raw material costs are running in line with paper prices and exchange rates are favourable.

He warned, however, that pulp prices had risen recently and exchange rates had moved adversely although the market remained strong.

Control of Tullis Russell is vested in a charitable trust. The group operates an employee profit sharing cash scheme as well as distributing shares to employees, who now own nearly 5 per cent of the company's share capital.

Mail users' body criticises post delivery times

BY RALPH ATKINS

THE POST OFFICE was fooling itself and users about the quality of its mail service, the Mail Users' Association, which represents business users, said yesterday.

In a survey of 4,231 letters posted throughout the UK between June and September, the association found an average of 72 per cent of second class mail arrived within three working days. That compares with the Post Office's target of 96 per cent.

For bulk pre-sorted post, the proportion arriving within the Post Office's target of seven working days varied between 58.1 per cent and 68.2 per cent.

The sample of first class letters was limited, but the result suggests that between 42 per cent and 72 per cent arrive the next working day, compared with a target of 90 per cent.

The results are less impressive than figures published by the Post Office. The association says this is because official surveys cover the time between a letter being postmarked and being ready for local delivery, not the postbox to letterbox time.

Mr Julian Blackwell, chairman of the MUA, said the association's results showed official figures were "unrealistic". He thought the Post Office was spending too much time and money on marketing, increasing volumes and introducing new services.

He also warned that if the Union of Communication Workers, the main postal union, goes ahead with plans for industrial action, business users will look for alternatives. These could include advertisments in newspapers instead of direct mail and increased use of facsimile and courier services.

The UCW is currently balloting its members in the Post Office about industrial action in pursuit of a claim for a three-hour cut in the working week.

The Post Office defended its statistics on its service, which show 88.9 per cent of first class letters arrive the next working day while 94.5 per cent of second class letters arrive within three working days. It denied claims by the MUA that its surveys exclude letters posted late in the day or travelling particularly long distances.

However, it added that for months the postal service has been hit by unofficial strikes which have disguised "a firmly improving upward trend" in service quality.

Saatchi appoints deputy chairmen

By Clay Harris

SAATCHI & SAATCHI, the advertising and business services group, yesterday appointed two group deputy chairmen, Mr Jeremy Sinclair and Mr Andrew Woods, and its first non-executive director, Mr Vanni Treves, senior partner with Macfarlanes, the City solicitors.

Saatchi needed to add a prominent non-executive director because of its plans to seek a listing on the New York Stock Exchange.

Mr Sinclair, aged 40, will concentrate on operations, with overall responsibility for the co-ordination of all corporate affairs, while Mr Woods, aged 43, will be responsible for corporate planning and long-term development.

Mr Sinclair, a founder of the original agency with the Saatchi brothers, will relinquish his position as chairman of Saatchi & Saatchi International.

Change at Barratt

SIR LAWRIE Barratt has decided to give up the role of chief executive of Barratt Developments, the housebuilder.

He remains chairman while Mr John Swanson, who was responsible for turning round Barratt's troubled US operations, is appointed managing director.

James Capel first again in Extel analysts' league

BY CLIVE WOLMAN

THE INVESTMENT analysts of the two largest City securities firms, Barclays de Zoete Wedd and Warburg Securities, have made the strongest gains in the esteem of fund managers in the year since Big Bang, according to the Extel Financial survey published yesterday.

The survey, which is the longest-standing and most comprehensive of UK stockbroking analysts, has a big effect on analysts' bonuses and their attractions to headhunters. It is also a rough reflection of securities firms' gains and losses in market shares, as fund managers allocate their commission payments primarily on the basis of the quality of research.

In the overall rankings, James Capel was voted top investment research firm for the ninth successive year. Capel, now owned by the Hongkong and Shanghai Bank, is the only leading firm since Big Bang to have remained an agency broker in UK equities and stayed out of market-making.

Below top position the changes have been more far-reaching than in previous years because of the job changes and mergers in the run-up to the Big Bang reforms last October. Barclays de Zoete Wedd has risen from sixth to second and narrowed Capel's lead, while Warburg Securities has moved from seventh to third. De Zoete and Bevan, BZW's predecessor firm before Big Bang, was voted seventh in 1985 while Warburg's predecessor, Rowe and Pitman, was voted 11th.

The four main losers have been Phillips and Drew, now owned by the Union Bank of Switzerland, which fell from second to fourth position, Citicorp-Scrimgeour Vickers, down from third to sixth, Wood Mackenzie, shortly to be sold by the merchant bank Hill Samuel, which fell from fourth to seventh, and Greenwell Montagu, which has dropped from eighth position right out of the top 10.

Overall, 32 per cent of fund managers thought investment research had worsened since Big Bang, 57 per cent thought it the same and 11 per cent considered it better. Only one firm, James Capel, was ranked in the "very good" category and four firms were ranked in the "poor" category compared with only one last year. These were Credit Suisse Buckmaster and Moore, Shearson Lehman Securities (formerly L. Messel), which recently dismissed 150 staff, Paribas Quilter Securities (formerly Quilter Goodison) and Sheppards.

The survey covered 60 sectors, of which 17 were overseas countries and most of the remainder UK industrial sectors. No account was taken of the market capitalisation of the sectors, so that Spain or UK tobacco companies were given equal weighting with the US or Japan. This distortion has worked to the benefit of Warburg Securities and James Capel, among others. A total of 75 fund managers, controlling £300bn of funds responded to the questionnaires, representing a response rate of 32 per cent.

In the individual sectors, the biggest upset was the fall of the former Scrimgeour Vickers' team members who were last year voted top analysts of three sectors - electrical, electronics, and telephone networks. However, they left Scrimgeour Vickers for Smith New Court a year ago and have now fallen to eighth, fourth and fifth places respectively.

The Greenwell Montagu chemicals and banks teams also lost ground as a result of splitting up. Their leading figures, Mr Stuart Wamsley and Mr Keith Brown, are to join Morgan Stanley early next year. On the other hand, Mr Bob Barber, who was voted leading motors analyst in 1986 when he was at Phillips and Drew, retained his number one position at James Capel this year.

The most outstanding analysts in terms of their dominance of major individual sectors were the BZW textiles team of Mr David Buck and Mr Tim Adams, and the James Capel oil and gas team of Mr David Gray and Mr James Joseph.

BROKERS' ANALYSTS RATINGS
Rank and total weighted votes

	1987		1986	
JAMES CAPEL	1	1961	1	1998
BARCLAYS DE ZOETE WEDD	2	1473	6	931
WARBURG SECURITIES	3	1296	7	848
PHILLIPS & DREW	4	1264	2	1173
HOARE GOVETT	5	927	5	986
CITICORP - SCRIMGEOUR VICKERS	6	924	3	1116
WOOD MACKENZIE	7	901	4	990
COUNTY NATWEST	8	670	9	706
ALEXANDERS LAING & CRUICKSHANK	9	598	10	681
KLEINWORT - GRIEVESON	10	506	13	418

Dealer competition 'has hit capital returns in gilt-edged market'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE post-Big Bang gilt-edged market has brought advantages for both the Bank of England and for institutional investors, but intense competition among primary dealers means few, if any, are making an adequate return on capital, according to a study published today.

The review of the first year of the market's operation, by primary dealers Alexander Laing & Cruickshank, says that the new trading systems have in many respects operated unexpectedly well.

There has been no "bloodbath" among primary dealers, the turnover and liquidity of the market have increased significantly, and the Bank of England has successfully met its funding requirements. The cost of trading has fallen significantly for the institutional investor.

However, the report highlights a number of continuing problems for the market, some of which are attributed to the much more aggressive tactics employed by the Bank.

Higher turnover has not been enough to counterbalance the huge increase in capital employed in the market since the handful of previous jobbers were replaced by 26 primary dealers. That in turn means that few primary dealers can justify the investment if their gilt-edged operations are seen in isolation from other investment activities.

Toyota to launch first catalyst-equipped car

BY JOHN GRIFFITHS

A CATALYTIC converter-equipped sports coupe, which can run only on unleaded petrol, is to be launched in the UK next spring by Toyota (GB).

The Inchcape Group-owned importer said yesterday it expected the Celica GT-Four to be the first on general sale in the UK equipped with a catalyst system.

The system is capable of meeting US and Japanese exhaust pollution limits which are much stricter than the EC standards planned to be introduced in phases from October 1 next year.

Toyota (GB) said the availability of unleaded fuel in the UK was increasing quickly enough for imports to be worthwhile.

Esso, which has been setting the pace on introducing unleaded petrol, recently announced its 250th site, and the totalnumber of stations is approaching 400. Toyota anticipates many more by the time the GT-Four, which is expected to cost about £21,000, goes on sale.

The car, which has four-wheel drive and a claimed 138mph performance, is to be shown at next week's Motorfair, but the price will not be announced until the New Year.

Toyota said it did not expect to set a precedent for other models to be offered in catalyst form in the UK. It had already developed "lean-burn" engines capable of meeting US and Japanese exhaust emissions standards without catalysts, although they were not yet in production.

Rover technology arm to give up outside work

BY JOHN GRIFFITHS

ROVER GROUP has told its Gaydon Technology subsidiary not to take on any more manufacturing technology consultancy work for outside companies.

The Warwickshire company can complete projects already under way. These include work for Jaguar and Freight Rover - both previously owned by Rover Group.

The instruction is a substantive step for Gaydon Technology away from the semi-independence it gained in the early 1980s when, as BL Technology, it was encouraged to seek outside contracts to supplement its primary role as a technology research and development arm for Austin Rover and the other vehicle groups which, at the time, were still within BL

The move was foreshadowed a few weeks ago in a review of Gaydon operations which, Rover said, would be completed by the end of this year.

About 150 technical and engineering staff redundancies are expected as a result of the review, which is expected to lead to Gaydon Technology being absorbed by Austin Rover.

Sporty Metro introduced

BY JOHN GRIFFITHS

AUSTIN ROVER is introducing body and interior specification changes across its entire range and a limited-edition sporting version of the Metro, in time for the Motorfair at Earls Court next week. Prices will not be affected.

The changes include wider availability of two-tone paintwork, better audio systems and the standardisation of some items previously specified as "extras".

The Metro 1275 Sport model is based on the City X three-door model and is "designed to appeal to driving enthusiasts."

It will retail at £5,799. The use of the "1275" label provides an indirect reminder of the company's motor sport successes some years ago with the legendary 1275 Cooper S Mini.

OBITUARY

Sir Henry Jones

SIR HENRY JONES, the most influential gas industry figure during the 20 years until his retirement in 1971, has died aged 81.

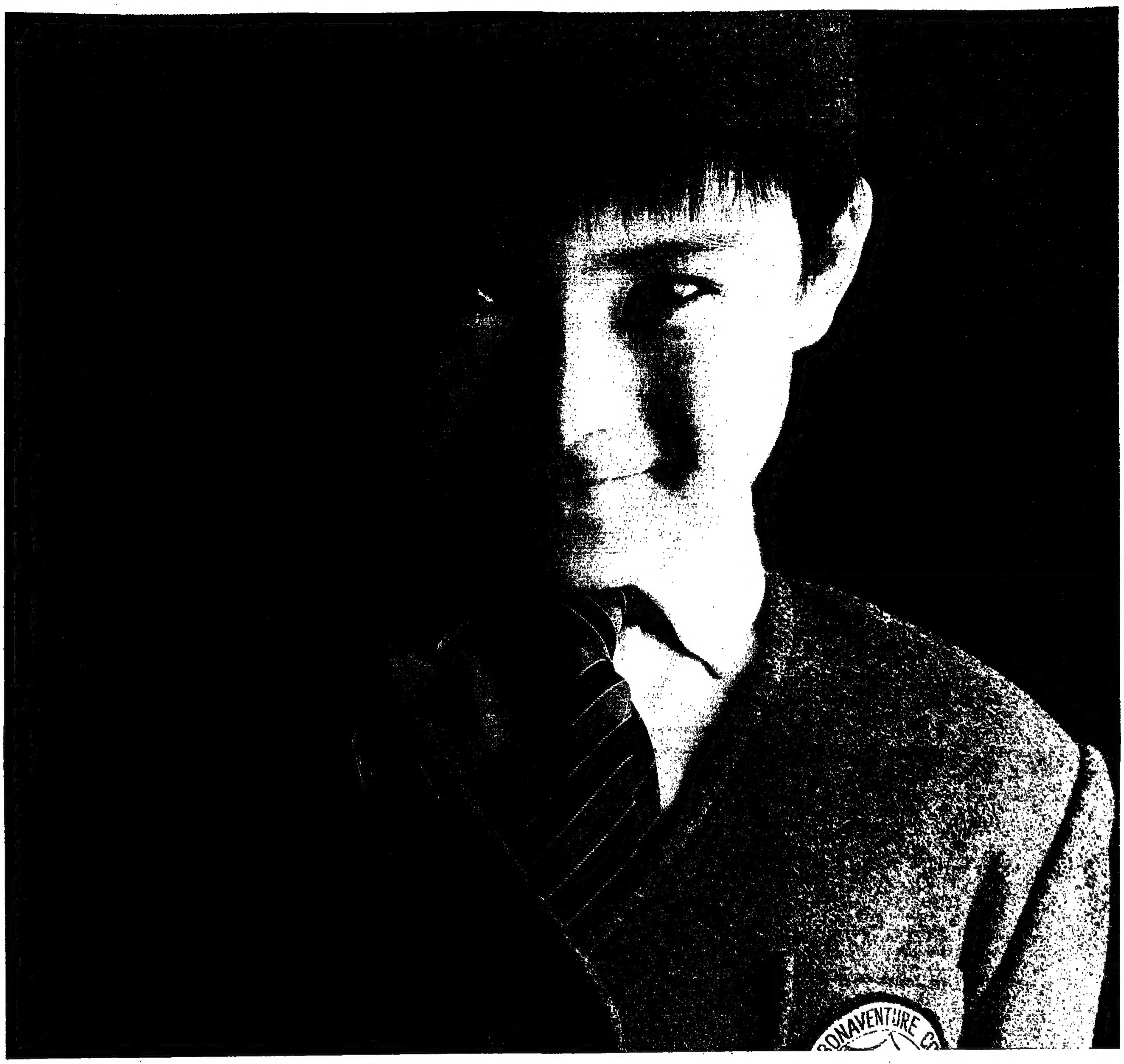
He became chairman of the Gas Council in 1960 after 11 years as chairman of the East Midlands Gas Board. Under his leadership, the council, the precursor of British Gas, made important technical strides.

These included the development of transport for liquefied natural gas, leading to the import of commercial quantities from Algeria in the world's first scheme of its kind.

In 1949, after nationalisation of the gas industry, Sir Henry was given the task of unifying the 100 gas undertakings which passed from the private and local authority ownership to become part of the East Midlands Gas Board. During this upheaval he gave priority to the feelings of individuals.

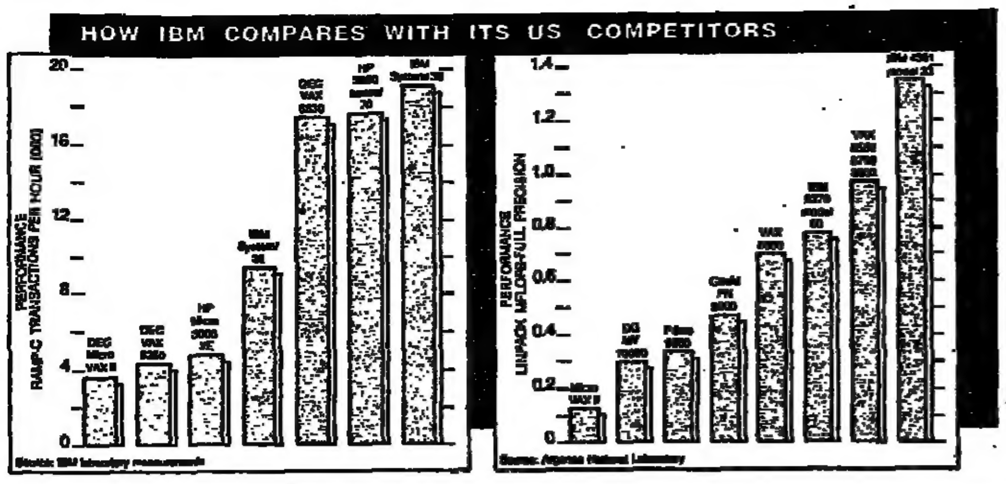
Sir Henry was particularly interested in identifying and developing new management talent at the Gas Council. As a result the council gained a reputation for management progression.

He leaves a wife, three sons and a daughter.



IBM sets out to regain middle market dominance

By Alan Cane



THE MARKET for medium-sized, powerful but easy to use business computers has become the most fiercely contested battleground in data processing, and involves over 250 manufacturers around the world.

To date, IBM's fortunes in this area have been decidedly mixed, as Digital Equipment (DEC) and others have taken advantage of its design weaknesses. By the end of next year, however, new machines and a fresh design philosophy should give IBM a new competitiveness.

If it can turn itself around quickly enough, the prizes will be substantial. There are, according to Stephen Schwartz, president of IBM's System Products Division which is responsible for middle-range machines, between four and five million small and medium-sized companies world-wide ready to take the plunge into computing. In the US alone 1m new companies are created every year, each needing data processing hardware and software.

Not all make it, of course, but the survival rate is high enough to confirm market researchers' predictions that more money will be spent over the next few years on the kind of medium-sized computers best suited to these companies than is spent on top-end mainframes.

For IBM, this market has been both a source of pride and pain. Systems Products Division offers four machines catering for the middle ground: the System/36 and System/38 minicomputers, the 4300 series small mainframe family and the new "departmental" machine, the 9370.

The S/36 is the latest model in a family of machines, known generically as S/3X. It has been the most successful model IBM has ever made, with over 300,000 installed world-wide.

So the middle ground has been an area of powerful profitability for IBM. Its problems, however, stem from the fact that, initially, at least, the S/3X, the S/38 and the 4300 family were all structurally quite different, operated on different software and could not easily communicate with one another.

Modern businesses were demanding a distributed approach to computing with easy and common communication between mainframes at the centre, mid-range machines in the departments and personal computers on executives' desks.

Companies like DEC - the entire range of which was based on common design principles - were able to take advantage of IBM's design failings to increase market share significantly.

Over the past year, IBM has been fighting back. By the end of next year it will have only three kinds of machine design rather than the seven it had five years ago, and all its computers will be capable of being linked together through a set of rules IBM calls Systems Application Architecture.

The three designs will be:

●Personal computer workstations using the new operating system OS/2.

●Mainframes using IBM's proprietary System/370 architecture. This will include the 4300 series and the 9370 departmental computer.

●A single S/3X family comprising the best features of the S/36 and the S/38.

Schwartz says the first of these new "merged" S/3X machines, which will be compatible with today's S/36 and S/38, will be launched in the latter part of 1988.

Those familiar with IBM will note that it is highly unusual for a senior IBM executive to give a launch date for a machine that has not officially been announced.

The existence of the new machine under a variety of codenames like "Silver Lake" and "Olympus", however, has been an open secret among users of mid-range IBM machines for some time, and IBM is anxious to quell disquiet about the fate of its S/3X line.

The new machine is expected to be designed along the same lines as the existing S/38, probably the most innovative machine IBM has ever developed with very advanced information handling capabilities (it has a built-in relational database) and a host of aids to make programming simpler.

It is thought the new machine will be about twice as powerful as the existing S/38, giving it power equivalent to the lower end of IBM's 3090 mainframe family.

But Schwartz says that the aim is not to compete with the 3090s: "We are not going to build a water-cooled S/3X."

Prospective customers will have a choice then, of two mid-range machine families. S/370 architecture represented by the 4300 series, and S/3X. Which way should the customer go?

Schwartz argues that the S/3X range should be the family of choice for the first-time user or the company operating without a formal data centre. Meanwhile, System/370 architecture in the new 9370 machine should be first choice for the user with a heavy data processing load and a central data processing staff.

According to the current issue of Software Markets, the Financial Times software newsletter, software houses are complaining about slow delivery of 9370s, but Schwartz says that no promised delivery dates have been missed.

Nevertheless, there are long waits between order and delivery and Schwartz explains that IBM is still at the bottom of the "learning curve" for manufacturing many of the novel and sophisticated components in the new machines - special silicon chips for the small 9370 models for example.

And every machine family is having to wait in line for supplies of the one million bit memory chip which IBM now uses virtually throughout its range.

Some 1,250 9370s have been installed in the US and Europe to date, however, and it is hoped that 5,000 will be in place world-wide by the end of this year.

Schwartz pays tribute to the IBM plant at Havant, the sole manufacturing site for a crucial storage component in the 9370 design.

"Havant has achieved more than I would have thought possible. It is well ahead of the game and going extremely well."

The decision to manufacture the storage device only at Havant had been controversial as IBM conventionally uses two or three separate sources.

Schwartz says customers agree that the 9370 does all that IBM said it would do. So is it effectively reversing DEC's inroads into the mid-range market?

He argues that designs for the machine started before DEC's current revival. These designs were measured against a "composite minicomputer vendor", rather than any individual manufacturer, and the 9370 has been built to satisfy their customers' requirements, says Schwartz.

EAGLE EYE

by Louise Kehoe

LA trembles for its future

WITHIN the next 20-30 years there is a greater than 50 per cent chance of a catastrophic earthquake in Los Angeles.

Seismologists have been predicting it for years, but suddenly people are taking them very seriously.

The strong tremor on October 1, measuring 6.1 on the Richter scale, was for all its terror, merely "a dress rehearsal for the real thing," according to the experts. This is not very comforting to those who are still suffering from the effects of this month's damage.

Beyond raising the awareness of California residents to the ever present earthquake risk, however, the latest LA quakes might prove to be the key to more precise earthquake forecasts.

"It will be the most studied earthquake in history," State emergency services officials promise. Last week seismologists from all over the US were swarming over East Los Angeles searching for clues to the origins of the earthquake and its geological effects.

"It is very exciting to have so much new data," explains Kate Hutton at the California Institute of Technology Seismology Laboratory, located close to the epicenter of the quake. Caltech has about 250 earthquake monitoring stations in the Los Angeles region, all of which recorded details of the quake.

From all of this data, the researchers hope to be able to define the pattern of events that leads up to a major quake, so that they can predict future events.

To date, the only reliable clues to future earthquakes have come from determining the time lapses between events on an identified fault. Geologists have found evidence of a 150-year cycle between quakes on the Southern end of the infamous San Andreas fault that cuts along the California coastline from North to South. The last major quake was in 1857, so they expect another before the end of the century.

In some ways "the sooner the better," suggests Steve Bryant, a seismic analyst at Caltech. If the "big one" happened tomorrow it would measure about 8.3 on the Richter scale, over 20 times as strong as the recent quake, he says. "But the longer we wait the stronger it may be, as stress builds up along the fault," he warns.

On the other hand, seismologists are hoping that with a few years more study they may be able to avert disaster by forecasting the quake. Within 20 years, Hutton predicts, seismologists should be able to issue an "earthquake watch" when the fault is likely to break.

Bold bets go in search of super payday

VENTURE CAPITALISTS are leaping on the superconductor bandwagon, hoping to back the winners in a new generation of high-tech start-ups.

In the US, at least $15m has so far been channelled into superconductivity start-ups, according to Jack Wilson, vice president of Dataquest, the US market research company.

Among the latest superconductor ventures is Conductus, a Silicon Valley company formed by six leading scientists from Stanford University and the University of California at Berkeley. They will start business with $6m of seed funding from leading West Coast venture capitalists.

On the East Coast, Massachusetts Institute of Technology researchers have already formed at least two superconductor ventures; American Superconductor and Conductor Technologies.

But the pay-off for the superconductor investors may be a long time off. "Superconductors would seem to be more the stuff of venture capital dreams than venture capital reality," warns Richard Shaffer, an industry commentator. "We don't even understand the basic physics of superconductors yet."

Unlike the early semiconductor and biotechnology start-ups, the new superconductor ventures do not hold any significant patents on their technology, which may make it difficult for them to develop commercial products.

The start-ups also face major potential competition from large US and Japanese electronics companies that have invested heavily in superconductor research.

For the venture capitalists, however, the chance of perhaps creating the first Intel or Genentech of the superconductor industry is too great an opportunity to miss. And few have the courage to sit back and watch as others place their bets.

Taking the wait out of airline reservations

FOR THOSE who know the routine of a last minute dash to the travel agent followed by a rush to the bank's automatic teller machine, then top speed to the airport (only to wait for a delayed flight), life could be a little easier if Teletix of San Francisco succeeds with its ambitious plans.

The one-year-old company aims to blanket the US, and eventually international markets too, with automatic airline ticket issuing machines.

Much like bank automatic teller machines(ATMs), the Teletix terminals would issue your aeroplane ticket in return for a credit card debit.

Rather than make waves in the travel agency business, Teletix will initially install its machines within their offices, promising to cut the costs of ticket distribution.

Eventually, however, the company plans to place machines in business hotels and also in bank lobbies, right next to the ATM. Airports, retail outlets and convention centres are also on the list of potential sites.

Unlike current computerised ticket distribution systems, the Teletix machines will not be limited to one or two airlines. And because they are based upon Hewlett-Packard personal computers, they will be much cheaper than the minicomputer-based systems now in use.

The networked system is linked to a host computer that holds reservation information. When a traveller inserts his credit card into one of the Teletix terminals he will automatically be identified and issued with his travel documents...one less stop on the way to catch an aeroplane.

Why poor interviews are worth preserving

BY MICHAEL DIXON

GOODNESS only knows how many readers have complained over time of the incompetence of interviewers in companies and recruitment consultancies. So a good number of you will no doubt welcome a proposal, just received by the Jobs column, for the launching of a Campaign Against Rotten Interviews.

The proposal is the more noteworthy because it comes from the recruiters' side of the jobs market - the originator is headhunter John Courtis, who among other things is vice-chairman of the Federation of Recruitment and Employment Services. His suggestion is also unusual on another count.

People on the employers' side of the market have long shown concern about substandard interviewing. They nevertheless seem to take it for granted that the trouble is rooted, not in any fundamental weakness of the interviewing process itself, but in the human failings of the person conducting it. Hence the remedy is assumed to lie in training poor interviewers to be better ones.

Mr Courtis thinks differently. One reason why he does so may be that he does not work in a company personnel department which could of course only gain in organisational importance by the provision of training in interviewing skills.

He evidently believes that the interview has inherent faults as a means of choosing the best candidate for a post - faults which are compounded by the fact that recruiters who think themselves good at interviewing become convinced that the method is reliable. His remedy is therefore to eliminate interviews from job-selection, if not altogether, then at least as far as possible.

For a start, he claims, their potential for misleading employers into wrong choices could be much reduced by improving the techniques used in the earliest stages of recruitment.

"From what I see, a lot of companies don't think clearly even about the basic approach they're going to use. Take the choice between advertising a job and retaining an executive search consultancy to fill it. They often make the mistake of assuming that the important criterion is seniority. They see search as suited for top jobs with big salaries and use advertising lower down.

"The reality is that search is best when the job is one only a few people are capable of doing, which makes it economical to look around for individuals who're suitable and approach them personally. But that doesn't apply just to top jobs; it's true of a good many at a fairly humble level.

"Conversely, advertising comes into its own when the work could be done by such a large number of people around the world that no searcher could be expected to identify them all. And that applies to a lot of senior posts as well as to jobs lower down."

John Courtis also maintains that advertisements themselves tend to be too loosely worded. They consequently attract applications from people whose skills and experience are not up to the job even though they are good a presenting themselves on paper and have charming personalities. "If ads were made more accurate, fewer plausible no-noes would get through to the interviewing stage and there'd be less chance of the interviewers picking the wrong person."

The importance of interviews in the selection process could be reduced by putting applicants through tests of ability and personality which had been shown to be relevant to success in the work and company in question. To the same end, recruiters could make more use, with candidates' permission of course, of of telephone checks on their references.

In putting forward those suggestions, Mr Courtis is undeniably making out a persuasive case for his campaign. The Jobs column nonetheless remains somewhat short of persuaded, even though it agrees that interviews often lead recruiters to make mistaken decisions.

One misgiving I have is about his advocacy of more reliance on ability and personality tests, which are already becoming popular with employers. The trouble is that I cannot see any convincing evidence that, when it comes to predicting success at work, tests are significantly more accurate than skilful interviewing.

Witness the results of a review recently made by Dr Ivan Robertson and Dr Mike Smith, of the University of Manchester Institute of Science and Technology, of research into the reliability of testing methods. One way of gauging their accuracy is to compare such methods' predictions of people's suitability for a job with their actual performance in it afterwards, and then work out to what extent the tests' forecasts were more accurate than predictions made on the basis of pure chance.

By that yardstick, the most dependable single method among the wide range studied by the two researchers was the "work sample" or "in-tray" exercise. It confronts people with various tasks which are important in the job at issue, such as a pile of letters and statistical reports, and measures how well they deal with them. But even that test turned out to be only 21 per cent more reliable than pure-chance prediction.

Second, with an 18 per cent rating, came "supervisor/peer evaluation", which consists of uniformly structured assessments of candidates' ability made by the people who would work directly above and alongside them. Next, a fraction of a percentage point behind, came "assessment centres" which are essentially expanded versions of the work sample device. Fourth with 12 per cent, came intelligence quotient tests followed closely by a method in which candidates' backgrounds are systematically studied for evidence of characteristics linked with success in the work.

Sixth place went to reference-checking, but its rating was only 5 per cent more reliable than pure chance. Interviews were less dependable at 3 per cent. But even they were better than personality assessments with 2 per cent, and tests of candidates' interests with 1.

So the evidence would seem to be that even methods which are a great deal more expensive than interviewing are still more likely to prove wrong then right. In the circumstances, for most employers, the testing game could surely be scarcely worth the candle.

But my main reason for not leaping to join John Courtis's campaign lies in the fact that, although I try to be impartial, on the topic of employment my natural sympathies lie with the folk on the candidates' side of the recruiter's desk. For one thing, I can remember too well the days when any employer looking at my curriculum vitae might justifiably have asked why I had not added the dates on which I was arrested, sentenced and at least imprisoned.

In the case of people in that sort of pickle, which might not be their own fault, the only hope of career success lies in doing well enough in an interview to persuade an employer to take a chance on them. It may be that, in John Courtis's view, only a rotten interviewer would ever take such a risk against the evidence of someone's previous record. If so, long live rotten interviewers!

Beauty

NOW to a rare type of post which is offered by Neil Jamieson, chairman of the Scottish Scenic Trust, a charitable organisation formed two years ago by Scots exiled in London with the object of winning greater protection for their native land's beautiful countryside.

The trust is in need of a director to lead further development of its work, which is at present carried on mainly by about 50 regional representatives and observers scattered north of the Border.

Applicants should be persuasive and demonstrably skilled at dealing with governmental and other officials.

"It will be more a labour of love than of financial reward," says Mr Jamieson, "because we can't afford more than £12,000 in salary." On the other hand, the director will be based in pleasant surroundings - probably the Highlands.

Inquiries to the chairman at 15 Essex Street, London WC2R 3AA; tel. 01-379 6783; telex 883059.

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- Do you have first class analytical skills and the confidence to take direct responsibility for decisions?
- Do you have the ambition and determination to contribute to the growth of a dynamic company?

Our client is a publically quoted investment group, whose corporate objective is to make a limited number of strategic investments in undervalued businesses which have outstanding growth potential. Highly successful, the emphasis is on in-depth research and a willingness to make long-term commitments to maximise returns.

An unrivaled opportunity now exists for an outstanding individual to play a leading role within the company's specialist head office. The position carries responsibility for the identification, research and recommendation of investments which meet the Group's strict criteria.

The successful individual will be exceptionally well rewarded with a high salary package, including equity incentive.

Please contact Anna Marshi of our City Division on 01-930 7850 (or evenings/weekends on 01-486 0940). Alternatively, write enclosing full details to the address below. All contact will be treated in the strictest confidence.

ROBERT • WALTERS • ASSOCIATES
EXECUTIVE SEARCH AND SELECTION
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

Outstanding opportunities in ...

INTERNATIONAL BANKING

SOVEREIGN LENDING
to £35,000

This opportunity will appeal to an experienced Lending Officer, aged in his/her 30s, who has particular expertise in lending to governments and state organisations. As the role will involve lending to Eastern bloc countries, any previous concentration in that area would be ideal. The appointee will be joining a major international commercial bank, whose balance sheet is amongst the strongest of all global financial institutions and whose London Branch is currently in a dynamic growth phase.

Contact: Joanna Davies

CORPORATE BANKING
to £30,000

This represents an excellent opportunity to develop your career within a leading European bank. As a member of this professional marketing team, your first responsibility will be the targeting and expansion of the UK and European corporate base. You will be working on a sophisticated range of banking products from acquisition financing through to syndication and asset sales. Ideally a graduate with a formal credit training and a proven track record in business development, you will be looking for greater scope in personal and financial development.

Contact: Anita Harris

PROPERTY FINANCE MANAGER
to £30,000

Our client is an established European bank whose property lending activities account for an important part of its reputation in the market place. As Manager you will be responsible for developing new contacts as well as maintaining an already substantial client base. You will also be involved in evaluating property based credit and presenting to Credit Committee. Key requirements will include self motivation and the ability to generate business with the maximum independence. You will need to have gained property related lending experience.

Contact Loretta Quigley

In the first instance please telephone 01-606 1706 or write to Anderson, Squires Ltd., 127 Cheapside, London EC2V 6BU.

Financial Recruitment Specialists *Anderson, Squires*

Exciting Growth Opportunity in Industrial Finance

Manager, Tax and Treasury

South East **£25K-£30K + Car**

Our client is a large leasing and finance company which has recently been spun off from its parent bank through an institution and staff buy out, whilst still retaining its banking licence.

The company has reached an exciting stage in its development and is in the process of consolidating its southern based offices and will be moving to new offices in November 1987.

Its operating philosophy is to identify and develop niche markets and it has been very successful in agriculture, industrial property and off-balance sheet financing schemes.

They have now identified the need for a Manager, Tax and Treasury with a high technical ability and the potential to develop commercial skills.

Reporting to a director of the company who is primarily responsible for product development you will have responsibility for all tax and treasury matters affecting the company's operations. The role will include:

* matching the incoming source and method of financing with the outgoing product "sales" i.e. leasing and finance schemes
* tax capacity planning
* treasury management including FRAs, swaps, bills, loans
* reconstruction and negotiation of head leases.

The successful candidate will be aged 28-35 ACA and a graduate. Technical ability is of the highest priority, with the decisiveness to make the right decision quickly, as this responsible role will have a substantial impact on company profitability. The competitive remuneration package will include an opportunity for equity participation.

If you have the ability to meet my client's requirements please submit your C.V. to: Wayne Thomas, Executive Division,
Michael Page Partnership, Kingsbury House,
6 Sheet Street, Windsor,
Berks SL4 1BG.

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

CALLING OFFICER

City **c£25,000 + discretionary bonus**

One of the world's major banks, with a strong commitment to London, wishes to appoint a marketing professional to develop new relationships with the Top 250 UK companies.

- **You are looking for the opportunity to progress your career within an organisation that will offer you both career development and a stimulating working environment.**
- **You will enjoy being part of a developing team where your experience and ideas will have a major impact on the strategy adopted by the department.**
- **You will enjoy — above all — marketing the full range of traditional and new products within an innovative environment.**

If you feel that your talents and experience would be suited to this role and are aged 25-35, please apply in confidence to Susan Milford, Manager — Financial Appointments quoting reference CG0532

Telephone: 01-256 5041 (Out of hours 0483 37480)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

The search is on . . .

Resisting the temptation to march, cheque book in hand, to the nearest headhunter, this major financial institution has decided to offer an open invitation to discuss its expanding Mergers and Acquisitions Group.

Specialist in M.&A. . . .

Minimum requirements for this post will be a sound record that will probably include relevant experience with a noted competitor and/or a recognised professional qualification. A broad range of backgrounds will, however, be seriously considered.

to £50,000 package . . .

If you wish to find out more about this unusually attractive career option then contact **Roger Tipple M.A.** for an informal and totally confidential discussion.

the fleet partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101 (24 hours).

Philadelphia National Limited

A WHOLLY OWNED SUBSIDIARY OF THE PHILADELPHIA NATIONAL BANK, U.S.A.

Career Opportunities in Merchant Banking

Philadelphia National Limited is the international investment banking arm of the Philadelphia National Bank, a market leader in the application of modern technology to international banking operations. Philadelphia National Limited combines this commitment to high-quality automated systems and controls with the traditional merchant banking principles of teamwork, flexibility and professionalism. If you believe that you measure up to our standards, we would like to hear from you about two specific vacancies.

Internal Auditor

We would like to hear from experienced individuals with an auditing background in the merchant banking or securities industry. The requirement is for a mature person with sound technical skills and a good commercial appreciation of merchant/investment banking products and transactions. He or she will set up and run a full internal audit function reporting directly to the Chief Executive Officer in London and working closely with the internal audit department of our parent bank in Philadelphia.

The right candidate will join us at Manager level and the remuneration package will fully reflect the importance which a conservative but forward-looking institution attaches to the internal audit function in today's rapidly-changing financial markets.

Settlements Supervisor

We operate a fully integrated settlements department which has responsibility for the timely settlement and control of all transactions in securities (Eurobonds and foreign domestic issues), foreign exchange, money-market paper, swaps and futures. We are seeking a strong and effective deputy to the Manager of this important department. The successful candidate will take full responsibility in the Manager's absence and must therefore have successful experience not only of routine settlements procedures but also of trouble-shooting, investigations and the management of people.

Please contact:
Manfred W. Neie at
PHILADELPHIA NATIONAL LIMITED
Philadelphia National House
3 Gracechurch Street, London EC3V 0AD
Telephone: 01-623 3100

SCOTLAND

We act for most of the financial institutions in Scotland and several in London. Our clients need:

- Investment Managers
- Marketing Managers
- Stockbrokers
- Corporate Bankers
- Private Client Managers
- Forex Dealers
- Support Staff

Telephone or write in complete confidence to
[illegible]
ASA International
[illegible] George Street, Edinburgh [illegible]
Tel. 031 [illegible] or call him on
01-[illegible] on 14th or 15th October

ASA INTERNATIONAL

AT A CAREER CROSSROADS?

Hill Samuel Investment Services is seeking executives, aged 25 to 50 and with experience in industry, commerce or the professions, to become Personal Financial Advisers. All necessary training and support, including office facilities, will be given to enable you to promote the renowned range of Hill Samuel personal and corporate financial products and services. London commuter area.

Contact:
Michael Talbot, 01-222 4858,
Hill Samuel Investment Services
29 Queen Anne's Gate, London SW1 9BQ

Pension Fund Investment Management

Bankers Trust is one of the most successful and progressive investment management companies in the world. Our UK Pension Funds have a first-class investment record. An excellent reputation that is enhanced by a combination of innovation and high standards of customer service. Building on our strengths, we are now developing this key area. And our exciting future plans include a challenge for talented, high performing, young professionals.

Marketing Manager

You will market our investment management services and employee benefits to actuarial or pension consultancies, and corporate pension schemes. This will entail presenting and negotiating at a senior level as well as advising clients on technical aspects of investment management.

Relationship Manager

You will be responsible for servicing and expanding existing client accounts as a well as establishing new customers. Essentially you will represent the investment management team as well as being involved in the creation, development and handling of new co-mingled funds.

Both positions report to the Marketing Director and operate with a high degree of independence. You're likely to be working in a similar environment at the moment as a pensions consultant or in a similar position in an insurance company. You'll have a good knowledge of the UK pensions market, the personality and energy of a self-starter and immaculate presentation skills. And you must enjoy working in a pressurised, performance-oriented environment. Salaries for these positions are very competitive and we offer the usual banking benefits and excellent future prospects.

For further information or a confidential discussion please telephone 01-726 4141 or send your CV to Donna Marcus, Bankers Trust, Deshwood House, 69 Old Broad Street, London EC2P 2EE.

Bankers Trust Company
Merchant banking, worldwide.

Executive-Commercial Paper

KLEINWORT BENSON INTERNATIONAL

are seeking to strengthen their Commercial Paper Sales team with the addition of a dynamic, experienced young professional.

Responsibilities will include continuous contact with customers world-wide with the purpose of marketing a broad and comprehensive range of money market and fixed interest securities. In addition, the successful candidate will be required to advise existing and potential issuers of Euronotes/C.D.s/Commercial Paper as to advantages of issuing and procedures thereof, together with acting as a Salesperson/Trader. Advice will also be provided to existing clients on current market conditions as well as on relevant investment strategies relating to their short-term liquidity management. A liaison role between London and New York money market sales desks is also an important responsibility.

Candidates must have a Business/Economics Degree as well as computer skills plus at least 2 years' relevant financial/capital markets experience, ideally developed through time spent in the U.S. financial environment. An excellent command of English gained in a business environment is essential.

Please apply in writing with fully detailed CV to:
Miss Sarah Kelly, Personnel Department,
Kleinwort Benson Group 20 Fenchurch Street,
London EC3P 3DB.

Kleinwort Benson Group

Chief Credit Officer
(Europe, Asia, Pacific)
City based
Up to £40,000
plus Car & Mortgage Benefit

Our client has an international banking presence in Europe, Asia and the Pacific and wishes to appoint a Chief Credit Officer with experience of credit appraisal in those regions.

The successful candidate must have at least 15 years relevant experience with particular exposure to Europe, Asia and the Pacific in commercial lending, property lending and project financing.

First class inter-personal and communication skills are essential as well as a creative approach.

There will also be opportunity to be part of a team contributing to international strategy.

Please write with details of your career to date to:
J.D. Vine, (Ref. FT/7), Vine Potterton Limited, 152/153 Fleet Street,
London EC4A 2DH. Please state separately if there are any organisations in which you would not be interested.

VINE POTTERTON
RECRUITMENT ADVERTISING

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£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre

For further information call 01-248 8000

Tessa Taylor ext 3351
Deirdre Venables ext 4177
Paul Maraviglia ext 4676
Elizabeth Rowan ext 3456

UNIT TRUSTS FINANCE MANAGER
c£30,000 + Car and Benefits

Our client is a subsidiary of a multinational financial services group with a wide private and commercial client base. The Group has recently made major inroads into the unit trust market and intends to develop this sector further as a significant part of the business. The need has now arisen to appoint a manager to set up separate accounting systems. Reporting to the head of the unit trust sector the job gives sole responsibility for all the financial functions.

We seek individuals with three years experience of unit trusts who have provided financial management information for senior management. You will now be looking to run your own finance operation from a green field site with an opportunity to put your own ideas and experience to full effect.

Prospective candidates should apply in writing with a curriculum vitae to me, Robin Witheridge, consultant to the company. All applications will be treated in strict confidence and your name will not go forward without your consent. Mervyn Hughes International Limited, 63 Mansell Street, London E1 8AN.

International Investment Bank seeks...

CITY SOLICITOR
to £40,000 + Car + Bank Benefits

Our client is a dynamic and respected international investment bank, thriving post Big Bang. It is continuing to expand and is both a comprehensive wholesale financial services company and a leader in world Capital Markets.

The London office, together with offices in New York and Tokyo contributed to group profits in 1986 of well over £400 million, and the Company is exceptionally well capitalised to support further growth.

The legal department provides advisory services to all business areas within the investment bank and other subsidiaries. As a member of a small and highly professional team, the successful candidate will therefore be directly involved in a wide range of activities.

The person our client seeks will probably be between 25 and 35 years old and a Solicitor with good quality City experience. A positive commercial approach together with the ability to communicate effectively, will be essential qualifications for success.

Career prospects are excellent either within the department, where there is genuine scope for growth, or in other areas of the organisation. The position offers intellectual variety, the opportunity to contribute to the continuing success of this world leader and excellent financial rewards.

In the first instance, please contact Felicity Hother in confidence on 01-606 1706, or write to her at Anderson, Squires Ltd., 127, Cheapside, London EC2V 6BU.

Financial Recruitment Specialists **Anderson, Squires**

A Major European Bank

Senior Forward Foreign Exchange Dealer
£ negotiable

Our client, a well established European bank with a strong commitment to growth in the United Kingdom, wishes to recruit an experienced senior forward foreign exchange dealer to establish the bank's presence in this area.

Candidates, probably in their late twenties/early thirties will have a minimum of four years' foreign exchange dealing experience with at least two years specialisation of forward trading in major currencies.

For the right candidate this position provides an excellent opportunity to join a modern and expanding treasury.

Those interested please contact John Green on 01-404 5751 or write to him in strictest confidence at Michael Page City, 39-41 Parker Street, London WC2B 5LH, quoting reference 6019.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

SPOT F.X. DEALERS

Liechtenstein (U.K.) Limited, a wholly-owned subsidiary of Bank in Liechtenstein AC, is expanding its dealing activities and wishes to appoint two spot dealers, who are to trade principally Swiss Francs and Deutschmarks.

Aged between 22-28, applicants should have at least 2 years' active dealing experience in a major currency.

Salary will be commensurate with experience and track records. Normal banking benefits apply.

In the first instance send a C.V. to:
Faye Sinclaire,
Liechtenstein (U.K.) Limited
1 Devonshire Square,
London EC2M 4UJ

CAPITAL MARKETS AND TREASURY

DC Gardner & Company, the world's leading specialist international banking consultancy is continuing to expand its Capital Market division with considerable success and in order to maintain this momentum is looking to appoint successful bankers in the following positions:

ASSISTANT DIRECTOR

This appointment involves identifying training needs in organisations, selling the solutions and developing and conducting training courses. We are particularly interested to hear from people with a Capital Markets and/or Treasury background. A relevant professional qualification would be an advantage.

RESEARCH CONSULTANT

This position requires researching into different areas of financial services and assisting with the writing and design of course material.

Both positions offer substantial opportunities and your success will depend on your ability.

An attrative remuneration package is available for the successful applicants.

Please write in the first instance including a detailed Curriculum Vitae to:

Rodney Fetzer Divisional Director
DC Gardner & Company Ltd 5-9 New Street London EC2M 4TP

DC GARDNER & Co.
LONDON AMSTERDAM SYDNEY

Jonathan Wren

INVESTMENT MANAGEMENT
INTERNATIONAL PRIVATE CLIENTS PORTFOLIO

Our client, a leading international bank, is seeking an additional Portfolio Manager to play an important role in the expansion of its highly successful investment management team.

The ideal candidate will have experience of managing discretionary multi-currency bond and equity portfolios for non-resident individuals, together with the personal attributes expected of a manager who will deal regularly with high net worth customers.

An attractive remuneration package is offered (according to experience) together with an impressive range of fringe benefits.

Applications in writing, accompanied by a curriculum vitae, should be sent to Richard Meredith.

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

Corporate Finance
Influence And Create Future Policy

The securities arm of this major UK financials conglomerate is seeking to recruit two professionals to help formulate the future strategy and direction of the Corporate Finance Department. The senior management recognises a need for a radical and innovative approach to this highly competitive area. You will be given every opportunity to demonstrate your imagination, flair and determination.

As a Corporate Finance Executive within a small and highly professional team, you will immediately become involved in new issues, take-overs, placings, rights issues and other corporate advisory matters. You will put to good advantage your sound grasp of fundamentals and your comprehensive understanding of regulatory requirements and documentation. A prerequisite will be your ability to initiate, structure and close successful deals.

Aged between 25-30, you possess a legal/accountancy qualification and have experience within the corporate finance department of a stockbroker. By nature determined and resilient, you thrive on pressure and seek a position where you can respond enthusiastically to this challenge which will provide the autonomy and career pathway you are looking for.

The remuneration package is highly competitive and includes attractive benefits. To apply please write in complete confidence with full career details to Matthew J. Wright or Vincent J. Thomas, of Cripps, Sears & Associates Limited, Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. Telephone 01-404 5701.

Cripps, Sears

UDT COMMERCIAL FINANCE LIMITED

Client Relations/Account Manager

Invoice Discounting/Factoring

£18k + car + banking benefits **Richmond, Surrey**

UDT Commercial Finance Ltd is a progressive and profitable company providing working capital to companies throughout the UK. Currently undergoing an ambitious expansion programme, the company now wishes to recruit an experienced Account Manager to maintain credit responsibility for approximately 80 corporate clients.

Reporting to the Operations Controller, you will be expected to take overall charge of all investments within your portfolio and ensure that clients receive the best possible service from the company and maximise the benefits of the product.

Probably aged between 25-35, you will have experience of receivables funding through invoice discounting and factoring and will possess first class analytical skills as well as the ability to develop strong business relations.

At present, the company employs 40 people but there will be many opportunities for career advancement thus the successful candidate must show the personal qualities necessary to move into management in the near future. As well as excellent career prospects benefits include company car, subsidised mortgage, non-contributory pension and private health care.

Please supply full career details to Barbara Calland, Mercuri Urval Ltd, Spencer House, 29 Grove Hill Road, Harrow, Middlesex HA1 3BN quoting ref 3787.

Mercuri Urval

UK Equity Dealer

Our client is the London based subsidiary of a leading international securities house. Due to increased business and a policy of controlled growth, an interesting position has arisen for a UK Equity Dealer.

Reporting directly to the Assistant Manager, the successful candidate will be responsible for executing orders, maintaining contact with the market and running a book. In addition there will be the opportunity to develop further the in-house dealing operation by building a team around the success of the individual appointed.

Candidates will be aged 24-29 and have three to five years' experience in the UK equity market as dealers. Respondents must be able to make an immediate contribution and will be capable of generating their own ideas, be independent and responsible.

The remuneration package offered with this position is generous. It will include a performance related bonus and subsidised mortgage, in addition to other perquisites.

In the first instance, please write to Timothy R. Wilkes at Michael Page City, 39-41 Parker Street, London WC2B 5LH or telephone on 01-404 5751. All replies will be treated with the utmost confidentiality.

MP

Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

RELATIONSHIP OFFICER

City **to £25,000 + discretionary bonus**

An exciting opportunity has arisen for an Account Officer with proven credit skills, who would relish the challenge of marketing a comprehensive range of facilities to organisations drawn from the Times Top 250.

- Your role will be to strengthen existing relationships with some of the UK's largest corporate names ensuring that business opportunities are maximised, utilising both traditional and new products.
- You will find the product range, level of client contact, as well as career development opportunities combine to make this an attractive opportunity within an organisation which is very firmly committed to the London market.

If you would like to develop your marketing career within one of the world's largest banks, please telephone or write to Susan Milford, Manager — Financial Appointments quoting reference CG0550

Telephone: 01-256 5041 (Out of hours 0483 37480)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

Hoggett Bowers plc

Executive Search and Selection Consultants

CITY DIVISION

French/German Equity Specialist ***To £50,000***
Candidates with a minimum 2 years experience of selling French or German equities to UK institutional investors are required for a major international securities house with a long term commitment to the International Equity Markets. These positions therefore offer first class career development prospects.

Senior Manager - Project Finance ***£40,000***
On behalf of a major US investment bank, we would be interested to meet high-fliers with at least five years experience in the specialised area of international project finance. Applicants should be educated at least to first degree level and have considerable knowledge of engineering financial packages in a high profile role. The position will be based in London within a young team and involve developing business on a worldwide basis.

Swaps Specialist ***To £30,000***
A London-based securities house with a prominent position in the capital markets is seeking a Swaps specialist with a minimum of 2 years direct experience in interest rate and/or currency swaps.

Account Manager ***£25,000, Car***
A leading city based International bank wishes to recruit an Account Manager to contribute to the creation of new business opportunities for the bank. The position involves effective servicing of existing customers plus contacting potential new customers and marketing the full range of Bank services. The successful applicant will have a sound banking background, including Credit Analysis and a strong track record in marketing to UK Corporates. Prospects are excellent.

Internal Auditor ***£25,000***
An Internal Auditor, with at least 4 years bank audit experience is sought by this City based bank. The Audit tasks cover the operation of the bank in the UK, together with its associated overseas operations. The successful candidate will have a knowledge of FX, MM, lending, securities and new instruments and will be expected to make a contribution to the overall business and systems development. A knowledge of German would be an advantage.

Assistant Manager - Accounts & Control ***c £21,000***
A self-motivated team leader is currently sought to operate the controlling function within the Account and Control Department of this City based bank. The successful candidate will be able to lead and motivate his/her team in maintaining and/or improving existing controls and systems, including computerised systems. The successful applicant will have a banking background, knowledge of systems accounting, Midas, EDP, FX and multi-currency accounting plus man-management skills. A knowledge of German is an advantage.

Manager, Credit Syndications ***£20,000***
A prestigious US banking group is seeking to supplement its credit area with a graduate who has at least two years exposure to syndicated credit facilities and specifically NIFS and RUFS. This is a progressive role within a young, professional environment where personal qualities are also of prime importance as the position involves considerable contact with external borrowers and financial institutions.

Private Clients Executives ***c £20,000***
Due to rapid increase in business, our client, a top City institution, is seeking experienced Private Clients advisers with a recognised Stock Exchange qualification to supplement its expanding department. Prospects for career progression are excellent for successful applicants.

01-588 4305/6 *Moorgate Hall, 153/157 Moorgate,* LONDON *EC2M 6XB.*

Securities Markets

GERMAN EQUITY SALES

We act for one of the leading International Securities Houses with an established place in the London Market. They are presently undergoing a period of great expansion in their International Equity operations and require additional senior specialists in several key areas. Of particular interest is an experienced German Equity salesman who may well have spent part of his career working on one of the main German Exchanges. The successful candidate will be able to show an impressive track record with a respected organisation and the energy to contribute to a young and ambitious team. In return, a highly negotiable salary package is available with the usual banking benefits.

CONVERTIBLES AND WARRANTS SALES

The same client has a requirement for two outstanding Convertibles and Warrant sales people. If you can claim to have established a name in a broad range of both of these products and would be able to assist in the development of a major underwriting facility, our client would be happy to offer very substantial remuneration.

These appointments are at a senior level and the chosen candidates will be in position to influence the direction of the organisation.

For a confidential discussion of these positions, please call Simon Harrison on 01-481 3188.

LME OPTIONS DEALER

Our client, a major US Investment House wishes to appoint an experienced LME Options Dealer. If you have in depth option trading experience on this market and are capable of running a large options book and servicing major institutional and corporate clients we will be interested to hear from you.

For the right candidate the salary package on offer should not be an obstacle.

To discuss this position, please call John Benson on 01-481 3188.

CHARTERHOUSE APPOINTMENTS

EUROPE HOUSE · WORLD TRADE CENTRE · LONDON E1 9AA · 01-481 3188

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

SENIOR CREDIT MANAGER £30,000+

This is a high profile credit assessment role within a major U.S. bank. Apart from having well developed risk analysis skills the successful candidate will be expected to have sufficient commercial flair, that will enable him/her to directly contribute to the "bottom line".

Candidates in their 30's or 40's will be expected to relish the opportunity of being able to influence events by actively participating at the opportunity seeking, negotiating and structuring stages of a deal.

Please contact Brenda Shepherd or David Little

WORLDWIDE TRAVEL c£20,000 + expenses

Our client is a major U.S. bank seeking to expand its team of international auditors. The job requires the successful candidate to spend eleven months each year travelling with small head office inspection teams to branches of the bank anywhere in the world.

On the job training will be provided to applicants in their mid to late twenties who have some banking or accounting experience and are single, outgoing and confident. Before moving on within the bank's European or U.K. operations a minimum of two years commitment to this challenging role will be expected.

Please contact Keith Snelgrove or David Little

ASSISTANT SYNDICATIONS MANAGER c£18,000

The Merchant banking subsidiary of a leading American Bank have an opening for an Assistant syndications manager to work within the banks Asset swaps and Syndications area.

The appointee will act as product manager for Syndicated Credits, NIF's, RUF's, etc. with responsibility for pricing of new credits of facilities and will participate at a high level with underwriters/syndicate members.

Ideal applicants aged 25/30, should be graduates with a sound knowledge of syndications and an understanding of PC's.

Please contact Brenda Shepherd

SENIOR PROJECT FINANCE MANAGER

A self motivated Project Finance Manager with ability to lead an assistant manager and initiative market trends is sought by this leading American Bank.

The bank require a graduate, preferably with a further degree and at least 5 years project finance experience.

The job involves identifying project finance advisory/lending opportunities and to carry out appropriate marketing efforts, follow up and execute transactions resulting in the earnings for the group and to realise viable project finance activities through stages of advice, financing, structuring mandate award, negotiating placement and documents.

Please contact Brenda Shepherd

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

RIYAD BANK

Riyad Bank, a leading Arabian Bank, offers an outstanding opportunity to join an expanding team of experienced bankers in Saudi Arabia with the following new appointments:

RECRUITMENT PROJECT MANAGER **C US$ 65,000**

You will be a front line recruitment specialist familiar with modern techniques of selection and with a depth interviewing experience. Your initial task would be to develop and implement the system for recruitment of all categories of staff to the Bank. You will prepare appropriate literature for recruitment from Saudi schools and universities and from universities abroad.

Recent banking experience is essential for this position. Self motivated candidates with the tact, flexibility and adaptability to work in a multi-cultural environment needed.

CORPORATE OFFICERS
C US$ 55,000

You will be one of the several officers in our growing Corporate Banking Units whose responsibilities will be to sustain, develop and solicit major customer relationship in assigned Regions of Saudi Arabia. You should have experience in credit analysis and Account Officer responsibility for delivery of wholesale banking services including trade and project finance.

A fully competitive package will be offered to the right candidates who should have at least five years' service with a major commercial banking institution and have exhibited adaptability and high levels of motivation in a competitive environment.

Candidates are invited to submit their applications, in strict confidence to:

The Assistant General Manager (Personnel)
Riyad Bank, Head Office,
P.O.Box 1047, Jeddah-21431, Saudi Arabia.

STOCKBROKING OPPORTUNITY

Leading firm of Scottish stockbrokers require an experienced person for their Dundee office to assist in managing their expanding private client business.

Applications welcome from existing members of the Stock Exchange who are looking for a better quality of life than currently being experienced in the City post "Big Bang."

Attractive salary and potential directorship are offered to the right applicant.

Apply in writing to:
Bruce O. Crawford, Esq.
Messrs. Stirling Hendry & Co.
Exchange House
16 Royal Exchange Square
Glasgow
G1 3AD

FIRST CAREER MOVE IN BANKING OR STOCKBROKING?

SOME FACTS ABOUT US
- We handle only First Class Candidates.
- We deal only with Blue Chip Clients at the highest level.
- Over 70 per cent of our candidates receive at least one offer.
- 65 per cent of our candidates placed are women.

NOW ABOUT YOU
- Are you considering a career move?
- Do you have a good degree?
- Are you currently working in banking or stockbroking?
- Would you care to meet two City Recruitment Specialists for a one-hour free counselling session?
- All replies will be treated with the utmost confidentiality.

Please telephone John Lord on 977 8105 or David Jones 0444 452209 or send your C.V. to
THE CITY RESOURCING PARTNERSHIP
266 BISHOPSGATE
LONDON EC2B 2PH

Linguistic Accountants

Commute to Europe
Up to £25,000

Specialist systems/control monitoring team in leading international group seeks new member(s) who would receive language/computer training during a planned programme of performance reviews, mainly in European capitals. Major opportunity to improve corporate efficiency and profitability.

Candidates must be qualified accountants aged 27 or over with public practice (or internal audit) experience, an interest in computer systems, personal communication skills and good working knowledge of at least one European language. Good fringe benefits and prospects. Surrey based.

Write in confidence to John Courtis at John Courtis & Partners, 104 Marylebone Lane, London W1M 5FU, demonstrating clearly how you meet our clients requirements, quoting ref: 7205/FT. Both men and women may apply.

JC&P Management Selection and Search
London, Milton Keynes, Northwich

CHIEF DEALER
FOREIGN EXCHANGE
Substantial Financial Services Group

Our Client is a major and diversified financial services organisation. From its London Head Office, the Company maintains extensive international dealing operations and, following an internal promotion, it seeks to appoint a Chief Dealer to maximise its foreign exchange trading activity.

Candidates, probably aged 28-35, should possess a minimum of 4 years' active dealing experience gained ideally from within the finance or treasury division of a major multinational corporation; knowledge of the swap and cross currency markets is regarded as essential.

This senior position affords the opportunity to develop both one's trading expertise and long-term career horizons with a "household name". A competitive salary and fringe benefit package will reflect the importance attached by the Company to this appointment.

Contact Norman Philpot in confidence on 01-248 3812

NPA Management Services Ltd

12 Well Court London EC4M 9DN Telephone 01-248 3812 3 4 5

Management Consultants Executive Search

Financial services

Associate Director, Compliance

British & Commonwealth Holdings PLC

City, from £45,000 + benefits + bonus

C&L

For one of the fastest growing UK based financial services groups, the pace and scale of the Group's development ensure that this is viewed as a key appointment within the central management team.

You will have responsibility for overseeing the development, implementation and operation of compliance procedures across the Group and will be the Group's principal link with the SROs. Of particular importance will be the establishment and maintenance of close liaison and rapport with Group operating companies.

Educated to degree level you may come from a variety of diverse business or professional backgrounds but are most likely to be a qualified commercial lawyer or chartered accountant. You will have a significant record of achievement in your chosen career, a thorough understanding of the workings of the financial services sector and may already be in a commercially oriented or regulatory role in a financial services environment. Personally, you must be able to combine forcefulness and firmness with tact and diplomacy and be a first class communicator.

Remuneration, which includes a comprehensive benefits package, bonus and share options, is for discussion but it is unlikely to prove a bar to suitable candidates.

Please send résumés, including a day time telephone number, to Torrance Smith, quoting Ref. TS798.

Coopers & Lybrand Executive Selection

Coopers & Lybrand Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

US STOCKBROKERAGE FIRM IN PARIS REQUIRES Experienced Brokers to service established European institutional accounts

Opening for manager, senior, and junior brokers/traders. Unique circumstances. Substantial earnings envisaged

Please reply Box A0690 Financial Times 10 Cannon St. London EC4P 4BY

International *Banking*

SENIOR ACCOUNT OFFICER
to £30,000 + benefits

An active Commercial Loans Department, within an established European Bank anticipating further growth, require an additional team member, to strengthen the marketing effort directed towards U.K. companies.

Candidates, ideally aged early 30's, will offer a background of sound marketing experience relating to commercial and trade finance business and also be accomplished in client relationship/business development techniques.

For further details please call Gordon Brown or Frank Hoy or forward a *curriculum vitae* to the address below.

BANK RECRUITMENT CONSULTANTS

Gordon Brown

57/59 LONDON WALL, LONDON EC2M 5TP
TEL: 01 628 7601

CUSTOMER DEALER

City **c£20,000 + discretionary bonus**

A significant player in the world markets wishes to recruit a Customer Dealer to join an innovative team. You are probably aged 25-30, with some good experience, but you are keen to learn more!

- **Challenge** — to develop relationships with large UK Corporates and Institutional Investors in Europe and the UK.
- **Variety** — to be active in the money market and foreign exchange markets as well as being involved with Capital Markets products.
- **Opportunity** — to improve your product knowledge and prospects within a meritocracy.

If you are interested in making an important contribution to the development of an expanding department, please contact Susan Milford, Manager — Financial Appointments quoting reference CG0517

Telephone: 01-256 5041 (Out of hours 0483 37480)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

AUSTRALIAN LAWYER

To assist in international insurance disputes we seek an Australian lawyer qualified for a minimum of 3 years to join the firm as a consultant on Australian law. Knowledge of London insurance market practices and an understanding of a European language would be an advantage.

Please send Curriculum Vitae to:
Daniel Gowan, Davies Arnold & Cooper
12 Bridewell Place, London EC4V 6AD

IPS

PROJECT MANAGER **£40,000**
Must be educated to degree level. Excellent communicator with sound experience of Financial Engineering/Capital Markets. Much overseas travelling for this first class banking name. C 5646

MARKET MAKER—TRADED OPTIONS **UP TO £50,000.NEG.**
U.S. based Options firm urgently seeking Market Maker familiar with reversals and conversions to join their new U.K. subsidiary. C 5652

EUROPEAN RESEARCH ANALYSTS **SALARY NEG.**
Well known North American Stockbroker now seeking to strengthen their European team with the addition of more Research Analysts. C 5643

SYNDICATED LOANS/CREDITS **£20,000 +**
Young dynamic personality to join young team in this International Bank. Applicants ideally should have two years marketing experience and have spent one year as Credit Analyst. C 5647

SWAPS TRADERS **£25,000 +**
Short/medium/long term Traders eagerly sought by two first class American Banks. Solid experience needed. Excellent prospects. C 5542

TREVOR JAMES & PARTNERS
62-64 Moorgate London EC2R 6EL
Tel: 01-920 9512

EXECUTIVE RECRUITERS
Experienced and Trainees

We are a highly regarded global executive search firm (retainers only) with offices in London, New York, Hong Kong and Tokyo. The rapid expansion of our business in the major financial markets of the world has created the need for one experienced recruiter and two trainees in our London (City) office.

Candidates must possess a university degree (or some equivalent), a *professional demeanour, exceptional* communication skills (written and verbal) and a high energy level. Knowledge of the securities industry (shares or bonds) is highly desirable.

We offer excellent salaries, bonus incentives and generous benefits, as well as exciting long-term career opportunities.

Please reply with CV and/or letter in strictest confidence to:

Box AO685 Financial Times
10 Cannon Street, London EC4P 4BY

Our employees know of this advertisment.

Strategic Management Consulting

McKinsey and Company wishes to recruit finance sector professionals of exceptional ability for its expanding London office.

You will be 27 to 32 years old, with outstanding intellectual ability, strong interpersonal skills and a record of achievement and advancement in any of:

- Corporate Finance
- Securities Markets
- Investment Management
- Personal Financial Services

McKinsey is the preeminent strategic management consultancy firm in the UK and throughout the world. Our aim is to work closely with our clients to help them make and sustain significant improvements in performance. We offer the opportunity to work in a stimulating team environment with the world's leading companies on issues of concern to top management.

Salary and conditions are commensurate with the calibre of the individuals we wish to attract and the demanding nature of the work we undertake.

If you are interested in this opportunity, please forward your CV to our recruitment consultant, Christopher Smith, 39-41 Parker Street, London WC2B 5LH. All applications will be treated in the strictest confidence.

McKinsey & Company

ACCOUNT OFFICERS

An Authorised Institution is seeking to appoint two Account Officers to assist in the handling of an extensive loan portfolio. Candidates should have a good academic background and preferably be ACIBs. Experience in credit evaluation essential and those with experience of lending to smaller businesses and companies would be at an advantage. Tact and all-round professional banking approach would complement technical abilities. Salaries subject to negotiation but would not be less than £15,000 pa plus benefits.

Reply with full cv to:
Managing Director, Box A0687
Financial Times
10 Cannon St, London EC4P 4BY

OPPORTUNITIES IN INVESTMENT AND RESEARCH

The Investment Management Department of Mitsubishi Finance International Ltd., a wholly-owned subsidiary of The Mitsubishi Bank, Limited, is seeking to recruit two graduates to join its fast-growing investment management team.

The first position is for an
ASSISTANT FUND MANAGER - INTERNATIONAL EQUITIES.
The ideal candidate is likely to be aged under 25, will have 6-18 months experience of international equity markets (preferably in Europe and/or the U.S.), and the maturity to take on the responsibility for running funds at a comparatively early stage in his/her career.

A second graduate is sought to fill the position of
RESEARCH ANALYST - STRATEGY.
Ideally, we seek a graduate of Econometrics, Statistics or Operations Research with a thorough knowledge of optimisation techniques, aged under 25, and keen to combine a mathematical approach with investment decisions. Recent graduates are also invited to apply.

All enquiries with CVs in the first instance should be sent to:
Mrs V Lenciv-White,
Investment Department,
Mitsubishi Finance International Limited,
1 King Street, London EC2V 8EB

BUSINESS RESEARCH

As the market leader in its sector, the Banking, Insurance and Finance division of the PA Consulting Group continues to strengthen its multi-disciplinary London based team in response to strong market demand. A *Researcher* is required to support the Unit's further development, which will include imaginative research on relevant business trends.

Although our client portfolio is wide ranging, our dominant position is in the retail financial services field. Innovation... profitability... competitive advantage... technology... marketing strategy... cost effectiveness... are amongst the issues we help clients address.

Ideally in your mid-twenties, you should have a good honours degree and 2 to 3 years relevant research experience in a financial or commercial environment.

Salary and benefits are pitched at a level attractive to the best available individuals and success in this role will provide prospects of progressing into mainstream consultancy.

Write with a full c.v. to: Mr. Donald R. McRae, PA Consulting Group, Bowater House, 68 Knightsbridge, London SW1X 7LJ.

PA Consulting Group

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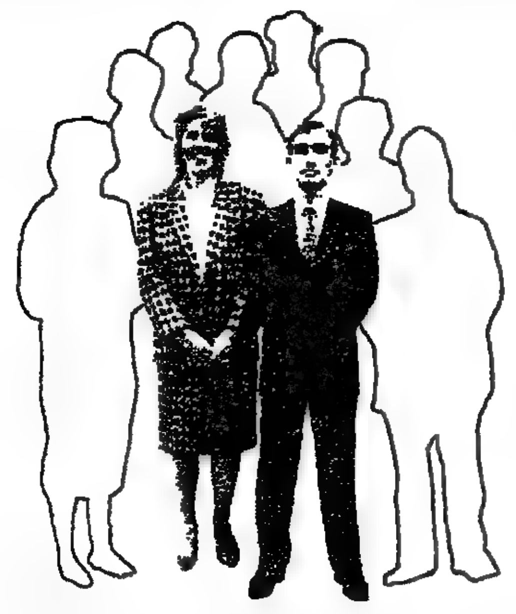
Three needed for good solid career growth positions in London and suburbs. Excellent benefit package. Person will have a degree plus 3 years experience in COBOL, RPG III, IDMS, IBM main frames. Salary commensurate with experience. Send C.V. to:
C.R.C. International Executive Search Consultants,
2915 LBJ 161, Dallas Texas, USA 75234 or call collect 2142437791.

SETTLEMENT STAFF



Stand out from the Crowd

We wish to receive applications from men and women who have at least 5 years experience of one or more aspects of the settlement process. Applicants should wish to make a career within the settlement office of a large expanding stockbrokers.

They should be able to demonstrate an ability to act on their own initiative and yet perform as a team member. They should also be able to demonstrate potential management skills.

The successful applicants will be well rewarded with a comprehensive package including profit share bonus, mortgage subsidy, free BUPA cover and free lunches. Please contact Alison Fenn at the address below.

James Capel & Co.

James Capel House,
P.O. Box 551, 6 Bevis Marks, London EC3A 7HQ.
Telephone: 01-626 0566.

EEC LAW
BRUSSELS AND LONDON

Clifford Chance has expanding teams of lawyers dealing with all aspects of EEC law, both in Brussels and London, especially in competition and international trade (in particular anti-dumping) law.

Those working in these areas also have an opportunity to work in other fields of the law and, in London, to deal with all aspects of U.K. competition law.

The work will involve travel and, for the right people who are willing to work hard, plenty of responsibility will be given. Prospects are good.

More people are needed, particularly in Brussels. While they may be U.K. lawyers, applications would also be welcome from lawyers qualified in other European countries. Experience would naturally be useful but is not essential.

Please write with full career details to either:

Ulick Bourke, Clifford Chance, Avenue Des Gaulois 20, 1040 Brussels,
or Michael Garner, Clifford Chance, Royex House, Aldermanbury Sq.,
London EC2V 7LD.

CLIFFORD CHANCE

THE MERGED FIRM OF COWARD CHANCE AND CLIFFORD-TURNER

BRUSSELS HONG KONG LONDON NEW YORK PARIS SINGAPORE UNITED ARAB EMIRATES
ASSOCIATED OFFICES AMSTERDAM BAHRAIN MADRID SAUDI ARABIA TOKYO

PRIVATE CLIENT OPPORTUNITIES WITH BRITISH & COMMONWEALTH

British & Commonwealth's substantially capitalised merchant banking group is being enlarged with Private Client Banking representing a core activity.

This provides many outstanding opportunities in this area and three key early appointments are to be made.

▸ ASSISTANT DIRECTOR ◂
PRIVATE BANKING

probably aged over 30, a business winner with experience in product development.

▸ LOANS OFFICER PRIVATE BANKING ◂

mid-twenties with banking qualifications and at least a year's experience at current level of responsibility.

▸ SENIOR U.K. TRUST OFFICER ◂

an individual with a legal or accountancy qualification – possessing a flair for international financial planning, is required to establish the U.K. side of the trust operation.

Outstanding achievement in these positions can generate rewards which will be commensurate with those achievable in a major banking institution. This banking group is a 100% subsidiary of British & Commonwealth Holdings PLC one of the United Kingdom's largest and most active financial companies.

PLEASE WRITE IN CONFIDENCE TO

MICHAEL ROBINSON, ESQ.,
CAYZER HOUSE, 2-4 ST. MARY AXE, LONDON EC3A 8BP

DEN DANSKE BANK
London Branch

Due to continued expansion within our London Branch, we are now seeking the following:-

UK MARKETING

The ideal person will be aged between 25-30, have a background in marketing/credit, etc. and be ready to contribute at an early stage as part of a small but dynamic team. Knowledge of a wide range of banking products preferred.

DEPOSIT DEALER

A minimum of 2 years trading experience. Knowledge of Danish Kroner essential. The successful applicant, who will be in his/her early 20's will also have a sound working knowledge of Danish.

SPOT TRADER – Foreign Exchange

A minimum of 3 years active trading experience in the London market. Knowledge of Forwards and Deposits advantageous. The successful applicant is likely to be in his twenties.

Salaries are negotiable and will be in accordance with age and experience.

Please reply in strictest confidence with C.V. to:

The Personnel Officer
Den Danske Bank
44 Bishopsgate
London EC2N 4AJ

PORTFOLIO MANAGEMENT
"Performance in Perspective"

Based in the West End, Merrill Lynch Asset Management was founded in 1976 as a wholly owned, but totally independent, subsidiary of Merrill

While MLAM enjoys the enviable global resources and support of the multi-national parent company, we're proud of our objectivity and independence - qualities which allow our Portfolio Management Team to respond to the most exacting of individual client requirements. And as our success continues, we're now seeking to recruit an additional financial specialist to take on the management of global investment portfolios.

An in-depth understanding and familiarity with the global market is essential, and you will need excellent liaison skills with maturity, intelligence and total professional credibility.

But most important of all, perhaps, we will be looking for someone who can appreciate our own distinctive perspective on investment management.

Our philosophy is value oriented. We believe, quite simply, in giving our clients an outstanding quality of fund management service, using our acclaimed research facilities to keep them fully informed of the latest market developments at all times.

To apply, please telephone Barbara Jenkins on 01-382 0034 or write to her at Merrill Lynch Europe Ltd., 3 Newgate Street, London EC1A 7DA.

All applications will of course be handled in the strictest confidence.

Merrill Lynch

Looking for challenges and rewards?

SECURITIES DEALERS
TO £75,000 PLUS
MANAGING DIRECTOR
TO £100,000 PLUS EQUITY (Negotiable)

Ideally, applicants should have had at least two years' experience marketing securities on any of the recognised markets. However, those with experience in any other related spheres may be considered. You will be working for a securities firm in excellent West End offices. As part of a professional team, you will be working with a broad product and client base and, most importantly, you will be rewarded according to your effort.

Please reply in writing enclosing brief curriculum vitae, to:

The Chairman, London & Norwich Investment Services Ltd
19 St. James's Square, London SW1Y 4JE

The Economist Intelligence Unit
SENIOR VICE-PRESIDENT

to lead a staff of over 40 editors and analysts, based in London.

The Economist Intelligence Unit is a world leader in country analysis, sovereign-risk assessment, and industry research. It is a division of Business International, part of The Economist Group.

The successful candidate will have a good track record in meeting commercial objectives and in managing talented professionals, probably in publishing or consultancy. Desirable attributes are: international experience (particularly in North America), excellent editorial skills, and experience in client presentations.

This is a key appointment with considerable growth potential for the right candidate. Compensation, which will include a handsome incentive package, is likely to match the requirements of the most qualified of candidates.

Please reply with full career details in complete confidence to:

Angela Mackworth-Young
Personnel Manager
The Economist Intelligence Unit
40 Duke Street
London W1A 1BW

SUTER p.l.c.
Treasury Manager

Lincolnshire c£25,000 plus car

Suter p.l.c. is a very profitable and acquisitive, high profile company with broad interests centred mainly in distribution, and engineering. The speed and success of the Company's growth means that the development of the Group's Treasury Function and the effective management of cash and borrowings is an increasingly significant element in the Company's success.

The successful candidate will be responsible for administering a multi-option facility, cash reporting and forecasting and advising operating companies on forward foreign currency transactions. You will also be involved in banking and funding issues arising from future acquisitions.

Likely candidates will have achieved a high level of academic and professional qualification and will have had broad exposure to a range of Treasury functions. They must be commercially aware with the ability to develop the Treasury function into a sophisticated contributor to profitability. The Company's growth plans will create opportunities for the right candidate to pursue other career paths in the future.

Candidates should contact, in confidence, Vivienne Hines or Brian Ingram on 01-629 3555 or write to 70-71 New Bond Street, London W1Y 9DE.

— Brian Ingram Associates —
70/71 New Bond Street, London W1 9DE

MERCHANT BANKING

INVESTMENT FUND MANAGERS

We are currently handling several attractive opportunities with prestigious Merchant Banks and Institutions for Senior Appointments in Fund Management, covering both the U.K. and overseas Equity Markets.

Successful candidates will probably be graduates with several years' Fund Management experience gained within a Merchant Bank, Stockbroker or Financial Institution.

Highly competitive remuneration packages will be offered together with the usual banking benefits.

CORPORATE FINANCE

Several of our clients, both Merchant and Investment Banks, are expanding their Corporate Finance Divisions.

Successful candidates will be involved in a wide range of U.K. projects including Mergers and Acquisitions, Flotations and Venture Capital. They will work closely with important clients and other City Institutions.

The ideal candidates will be graduates aged 25-30, with either an A.C.A. or legal qualification or who have relevant Corporate Finance experience.

Substantial remuneration packages are available according to age and experience.

All applications will be treated in the strictest confidence and should be addressed to Peter Latham at 11, Eastcheap, London EC3M 1BN. Telephone 01-939 4689.

ECCO BANKING & FINANCIAL APPOINTMENTS
11 Eastcheap, London EC3M 1BN. Tel: 01-929 4689

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Sheer hard work and ability have helped you establish a highly successful track record. Now, as one of London's fastest growing insurance brokers, we can offer you the opportunity to really reap the rewards of that knowledge and experience.

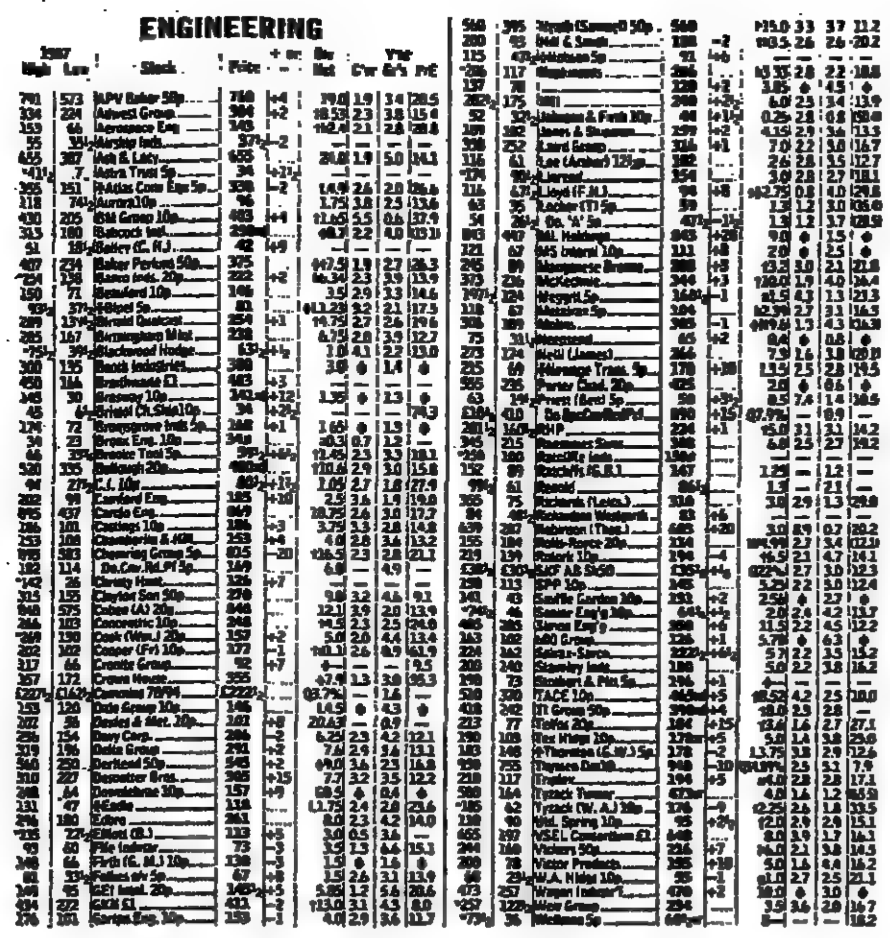
Good basic, unlimited commission and technical support, company car, pension scheme.

Contact: Ron Aroskin on 01-487 3310, or write with full c.v. to: RCC Insurance Brokers, 4/6 York Street, London W1A 1BP.

ADVANCED TECHNOLOGY

Swiss engineer (ETH), with extensive experience in marketing, licensing and sales as well as first-class contacts in financial and legal circles, offers his services to a non-European industrial enterprise wanting to set foot in Europe.

• Write Box A0677, Financial Times,
10 Cannon Street, London, EC4P 4BY


ENGINEERING

Some well-known names will soon be joining SBCI Savory Milln. Hopefully, yours will be among them.

At SBCI Savory Milln, we'll soon be making markets in around 100 engineering stocks, adding a whole new sector to our market making activities.

It's the latest step in our carefully planned, sector-by-sector approach to market making.

But by no means the last step.

Because although no-one can predict the future with any degree of exactitude, we at least can contemplate it with a considerable degree of confidence.

Every move we make, whether in market making or agency dealing, is part of a logical, integrated, workable strategy. And our membership of Swiss Bank Corporation International, with its substantial asset base and global network, gives additional strength and credibility to a strategy which has already justified itself in practice.

People are, and always will be, one of the major components of that strategy.

The people who are with us already. And the people we want to join us, including men and women such as these:–

Agency Dealer/Sales Trader – UK equities

In a wide-ranging, generalist agency business such as ours, you'll have extensive client contact, so you'll need to be as effective at communicating as you are at executing orders. You'll also need 2-3 years dealing experience.

European Agency Dealer

Our traditional strength in European equities continues to create a very attractive scenario for someone with 2-3 years relevant experience. You will be leading a small team as well as executing the Agency orders for all European stocks. Detailed knowledge of all relevant European settlement and currency procedures is essential.

Market Makers – UK

Our planned, sector-by-sector approach to market making is really starting to show its strength, and as we look to the future we can identify roles for some of the best people in the business – in any sector, not just engineering.

If you're seriously interested, a word of caution.

You will probably be under 35, because our long-term thinking applies as much to the careers of our people as to the development of our business.

You should also be absolutely certain of your ability to integrate with a team of people whose professional skills are of the highest order.

If you can confidently claim that of yourself, we're equally confident that an early meeting would be to our mutual benefit.

Talk to Peter Cole or Jakki Ridlington on 01-638 1212, or direct on 01-232 3628. Alternatively, send them a copy of your C.V.

SBCI Savory Milln

New City Court, 20 St Thomas Street, London SE1 9RP.

CORPORATE FINANCE EXECUTIVE

—Vice President—

First Interstate Bank of California, a leading US Bank, has a rare opportunity for an exceptional banker.

Already well established in the Capital Markets, Foreign Exchange trading and Commercial Lending, we are now seeking an enthusiastic and innovative individual to assist in the strategic direction and development of our expanding Corporate Finance Division.

You will be either an MBA, or a qualified lawyer or accountant, with several year's experience of corporate finance including an involvement in the following areas:

– MBO's/LBO's
– development capital
– mergers and acquisitions
– general corporate advisory work

In addition, you must be able to demonstrate an ability to market, originate, structure and execute transactions, and to apply your expertise to the group's other core businesses of aerospace and oil and gas.

Career prospects are excellent, with the opportunity of advancement as the group develops, and the salary package offered will be commensurate with the level of seniority.

Please write in confidence to Sharon Ayre, First Interstate Bank of California, First Interstate House, 6 Agar Street, London WC2H 4HN.

First Interstate Bank of California

REUTERS - REUTERS - REUTERS

Marketing Opportunity Commodities

Central London **c£23K + car**

Reuters is the leading world news and information organisation. Its extensive real-time data retrieval network provides coverage of money, securities, commodities and energy markets for thousands of subscribers in more than 110 countries.

As a result of continued expansion and the introduction of a new global communications system, there is a vacancy for a Marketing Executive to play a major role in co-ordinating the transfer of subscribers within the commodities markets onto this new network.

Duties will also include assisting in the marketing of Reuter products such as Commodities 2,000 as well as the research, development, marketing and administration of new products.

Applicants should possess either knowledge of Financial Futures and Options or some practical experience in the field of trading, research or analysis. A background in sales/marketing would be useful as would a knowledge of another language. The position also demands good communication skills and sound administrative ability.

In addition to excellent career prospects, Reuters offers an attractive benefits package which includes 6 weeks' annual leave, subsidised restaurant, free BUPA cover and the opportunity to participate in the Reuter SAYE Share Option Scheme.

Please telephone 01-353 7329 (24 hour answering service) for an application form or send a full curriculum vitae to Miss Angela Deen, Recruitment Executive,

REUTERS
85 Fleet Street
London EC4P 4AJ

Reuters is an equal opportunities employer

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JAMES CAPEL & CO.

FAR EAST EQUITY SALES

The Far East Department of JAMES CAPEL, the global investment house, services institutional clients in the U.K. and Europe on the stock markets of Hong Kong and Singapore/Malaysia. The *Department is growing very quickly and*, as a result, wishes to recruit an additional Sales Executive.

Candidates should be preferably under 30, to fit in with a young team, and have experience in the markets of Hong Kong and Singapore/Malaysia, gained either with a stockbroker or an institutional fund manager. A knowledge of French or German would be helpful.

The successful candidate will be well rewarded with a comprehensive *package including* profit share bonus, mortgage subsidy, non-contributory pension and other benefits.

Please write with C.V. to Mr Roger Powner, James Capel & Co. at:-

James Capel House,
P.O. Box 551,
6 Bevis Marks,
London, EC3A 7JQ.

EUROPE

£20,000-£80,000

Our client, a progressive and well respected London based European equity broker, is seeking to expand its established research base. They are looking for:—

SECTOR ANALYSTS

To cover the whole of Continental Europe. *Suitable candidates should be in their* mid 20's-mid 30's and have a proven track record in equity research — probably gained on the London market.

Priority will be given to recruiting a FINANCIALS ANALYST, though our client is interested in further developing their coverage of other sectors.

ECONOMIST

An economist is required to help prepare regular reports interpreting the outlook for the Continental European economies.

For a confidential discussion please contact Emma Weir on analysis or Clare Kearns on economics. 20 Cousin Lane, London, EC4R 3TE. Telephone 236-7307.

STEPHENS ASSOCIATES

SEARCH & SELECTION SPECIALISTS IN SECURITIES & INVESTMENTS

SUPERB CAREER OPPORTUNITIES IN STOCKBROKING

MIDLANDS

Albert E Sharp, one of the largest independent stockbroking firms in the U.K. is currently undergoing very rapid expansion of their Private Clients Department and Share Dealing Service. Right now we need experienced people in the following areas:

PRIVATE CLIENT SPECIALISTS

Age or personal clients are not relevant. The requirement is for any individual capable of providing top class advice to our existing client base with the help of a major research capability within the firm.

MANAGEMENT OPPORTUNITIES IN SHARE DEALING DIVISION

Successful candidates must have a broad range of proven client skills together with administrative and managerial abilities. An ability to thrive in a dynamic service environment is essential. Knowledge of back office systems would be an added advantage.

Based right in the heart of Birmingham, in bright attractive offices, these positions offer excellent career potential in an environment offering a superb quality of life but away from the hastle of London.

And there is an excellent benefits package prepared in accordance with a large progressive organisation.

Send your detailed cv to
Michael Cusack
ALBERT E SHARP & CO
Edmund House
12 Newhall Street
Birmingham B3 3ER

UK APPOINTMENTS

Senior Dowty Maritime Systems post

Mr F.J. Nockolds has become deputy chairman of DOWTY MARITIME SYSTEMS. He is succeeded as managing director of that company by Mr R.A. Ripper, previously managing director of Dowty Maritime Systems' communications division. Dr J. Blogh, executive director - engineering in the communications division, has been appointed its managing director.

*

Mr David Thackwray succeeds Mr Mike Stokes as head of ICI (UK) FIBRES, the UK selling organisation formed by ICI Fibres in 1986. Mr Stokes has been appointed general manager of ICI's fibres organisation in Greensboro, North Carolina, with responsibility for the whole of the Americas. Mr Thackwray was formerly sales manager-filament yarns at ICI (UK) Fibres.

*

Mr Kenneth Cunningham has resigned as managing director of First Interstate Capital Markets in order to join MITSUBISHI FINANCE INTERNATIONAL as director of risk management and technical projects.

*

Mr Geoffrey Carter, a director of Trafalgar House, is to join the board of TR PROPERTY INVESTMENT TRUST.

*

Mr David A. Milner joins CASTELL SAFETY INTERNATIONAL as engineering director.

*

KAYE ALUMINIUM has appointed Mr Anthony Fincett its financial director.

*

CLUFF OIL HOLDINGS has apppointed Dr Michael Martineau a director. He joined the group as managing director of its minerals subsidiary, Cluff Exloration, in April.

*

Mr Jeff Marsh has been appointed president of SAAB AIRCRAFT INTERNATIONAL, based in Windsor.

*

INTERNATIONAL CITY HOLDINGS has made the following senior management changes: The board of Fulton Prebon International comprises Mr Ritchie Hettinger, chairman (New York),Mr Angus Robertson (London)and Mr Haruo Kanda (Hong Kong). Mr George Shand is finance director. Mrs Angela Howarth, managing director of Fulton Prebon Sterling, has also been appointed chairman of ICH Financial and Technical Services in succession to Mr Ron Valiance who has become group chief executive. Mr Angus Robertson, previously deputy managing director, has been appointed chairman of Fulton Prebon Sterling in place of Mr Robin Packshaw who has resigned because of his responsibilities as chairman of the ICH Group. Mr Paul Camies has been appointed managing director of Fulton Prebon Sterling.

*

Mr Patrick Clutton has joined the board of MULTI CONSTRUCTION (SOUTHERN) as commercial director. He was commercial manager for Mears Contractors.

*

Mr James Nelson has joined the board of AIR CALL (HOLDINGS). He is a director of F & C Enterprise Trust and managing director of F & C Ventures.

*

Mr Alan G. Tipper has joined CLIVE & STOKES INTERNATIONAL as a director. He was formerly a partner of Heidrick & Struggles.

*

Mr Bruce Maggs has become operations director at APOLLO METALS. He was a member of British Alcan's extrusion division.

*

Mr Howard Drummon has joined the partnership of stockbrokers KEITH BAYLEY ROGERS & CO as a partner in charge of corporate finance, the department he has managed for the last two years.

*

Mr Tom Hutson has been elected chairman of the ASSOCIATION OF BRITISH FACTORS. He succeeds Mr Michael Maberly, who has retired. Mr Leslie Bland, managing director of Century Factors, has been elected vice-chairman.

*

Mr Gordon Anderson has become an executive director of DUNEDIN FUND MANAGERS.

*

THE BM GROUP has made the following board changes at Hymac Group, which operates under the Benford division. Mr R. Geoff Bardell takes on the role of chairman of Hymac in addition to his role as chairman of Benford. Mr Graham Musson, managing director at Benford, becomes managing director of Hymac. Mr Alec Smith has been appointed engineering director in addition to a parallel role at Benford. Mr Barry Clark,product support director, and Mr George Robinson, manufacturing director, both remain on the Hymac board. Mr John Wolfenden is appointed financial director.

*

Lord Marsh of Mannington and Professor Gregory Clark of Sofia University, Japan, have been appointed non-executive directors of CHINA & EASTERN INVESTMENT CO.

*

Mr David Hancock, managing director of APPLE COMPUTER UK, has been made general manager of the Pacific business unit from January 1. Mr Keith Phillips, marketing director, will replace Mr. Hancock as managing director on that date.

*

CROWN FINANCIAL MANAGEMENT has appointed Mr David Wells its finance director. He was previously executive manager in charge of administration.

*

Mr Merton Speyer, managing director of the REX STEWART GROUP's Manchester agency, has been appointed to the English group board.

*

J.W. SPEAR & SONS has appointed Mr Michael Bucher a director. He is president of Habourdin International, a French games and toys company.

*

At CUNARD ELLERMAN Mr Redmond Lee has been appointed finance director. He was previously company secretary and group finacial controller with Ellerman Lines.

*

SCAPA GROUP has made two board appointments: Mr B.W. Kelly joins the board as divisional chief executive of the industrial and papermill rolls section of Scapa Paper's industry products group and Mr D.M. Dunn, previously at Newman Industries, has been appointed group finance director.

*

WANG EQUIPMENT SERVICES, the leasing division of Wang (UK), has appointed Mr Ian Harrison as general manager and director.

*

T & N has appointed Mr Andrew R.T. Watmore aftermarket director of Coopers Payen, its UK automotive gasketsubsidiary, and Mr Bill Morrison has joined the board of T & N Technology, the group's central research and development facility at Rugby.

*

AAH HOLDINGS has made the following senior appointments within its pharmaceuticals division from November 1: Mr Peter Worling is appointed to the board of AAH Pharmaceuticals, the new holding company for the division, and becomes director responsible for all pharmaceutical wholesaling activities. Mr Worling was managing director of Vestric, the largest of the division's operating companies, in which he retains a directorship. Mr Len Southworth is appointed assistant director of wholesaling , and also joins the board of AAH Pharmaceuticals. He remains managing director of Hills Pharmaceuticals, a wholesaling subsidiary within the division. Mr David Taylor, marketing director at Vestric, is appointed its managing director in place of Mr Worling. Mr Ron Vizard is appointed to the board of AAH Pharmaceuticals as divisional finance director, following a period as divisional finance controller. He remains financial director of Vestric and AAH Meditel.

*

SIMON-GALA has appointed Mr Allan Bruce as finance director.

*

NATIONAL INVESTMENT GROUP, members of the Stock Exchange, have promoted the following to group regional directors: Mr Christopher Chapman at the Wells office of Godfray, Derby & Co, Mr Nicholas Greenwood at the Exeter office of Milton, Mortimer & Co and Mrs Katie Morris at the National Investment Group head office in the City.

*

Mr John Douglas has become sales director of REDFEARN FLEXPACK, the flexible packaging division of Readfearn. He was previously northern area sales manager of Smith Bros of Whitehaven.

*

At GROSVENOR SQUARE PROPERTIES GROUP, a part of Associated British Ports, Mr Peter Nelkin, joint managing director, has decided to leave the company to pursue private business interests. Mr John Holt, formerly development director, has been appointed managing director of Grosvenor Square and will maintain responsibility for the group's development programme.

*

Mr David Hugh Laing Hopkinson has been made deputy chairman of HARRISONS & CROSFIELD.

*

Mr Greville Howard, chief executive of Keep Trust, has been made a non-executive director of AMALGAMATED FINANCIAL INVESTMENTS. He owns 1m shares in Amalgamated Financial.

*

J.F.DONELON & CO has appointed Mr Neil Miller as managing director. He has been a director for 15 years. This follows the appointment of Mr J.P. Donelon as chairman and chief executive of Tysons Contractors. Mr Donelon remain Donelon's chairman.

*

S.LYLES has appointed Mr Paul Rogan export director of its wholly-owned subsidiary S.Lyles Sons and Co.

*

Mr P.H.F. Bullard has become secretary of RMC GROUP in succession to Mr A. Jessup.

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PRESS FOR ACTION

US RETAILING

Deborah Hargreaves on US department stores' revised sales strategies

Retailers cash in on specialty sector

US SPECIALTY retail stores have fallen out of favour on Wall Street in recent weeks, but that has not stopped the large domestic department store chains in their drive to move into the sector.

FW Woolworth has seen its stock price rise by more than 580 per cent since 1982, the highest rise over that period of a constituent stock in the Dow Jones Industrial Average. This has resulted from an extensive restructuring programme which has seen Woolworth shed its homely image and jump into the specialist retail camp.

In 1982, the company recognised the growing trend in US retailing which has led to the staggering growth of such specialist apparel chains as The Limited and Gap.

Last year, 65 per cent of the company's $456m operating profit was contributed by its specialist outlets - which sell a range of products from footwear to picture frames - and this is expected to grow in coming years.

Mr John Landschutz, retail analyst at Mesirow Financial, believes Woolworth has excelled in moving into the specialist sector.

Until recently, the tightly-run specialist retailers were the darlings of Wall Street, keeping the big department stores on their toes by eating into their market share.

Analysts judge that the specialist retailers have taken a substantial share of business from the department stores in recent years. But the big retailers have not taken it lying down and are trying harder to beat the specialists at their own game.

It wasn't until the beginning of this year that Sears, one of the industry's leaders, acknowledged the importance of the specialist sector when it set up a merchandising group charged with developing a specialist sector.

The group's merchandising group had seen its revenues growing at about 4 per cent in recent years - below the industry's 8 per cent average - and the company was keen to move into the specialist arena.

However, since the specialty group was established, the only purchase it has targeted is Eye-Care Superstores of America, for $52.4m. And, after announcing the acquisition in May, the deal is still pending.

But Sears is proceeding cautiously, according to a company official who said: "We want to make sure we make the right choices...We're looking for companies that have a proven track record of success or long-range potential for success."

In fact, since the group was set up it has had a number of independent companies beating a path to its door and holding themselves up for takeover.

Mr Richard Nelson, analyst at Duff and Phelps, the investment firm, thinks Sears has been surprised at the high prices put on the specialist retailers.

While the company says it is considering anything in the line of products and services, Mr Nelson considers an apparel retailer would provide the best fit, giving Sears a high-street fashion outlet.

The company's specialty merchandising is also considering internal start-up of specialist outlets, a strategy which has worked well for Woolworth.

Sears says it is looking for its specialty group to make a significant contribution to profits in coming years and, if Woolworth is anything to go by, the specialist side will eventually catch up with general merchandising.

Mr Harold Sells, Woolworth's chief executive officer, expects the company's specialist outlets to generate 45 per cent of total $31sales by 1991, compared with 35 per cent of the total in 1986.

The specialist outlets account for 65 per cent of last year's operating profit, underlining the higher margins in the sector where each dollar of specialty store sales generated more than twice the operating profits produced by general merchandise sales.

And the company is still on the look-out for "small, emerging growth stores with a concept that is expandable on a national scale," Mr Sells says.

But this does not mean that Woolworth is turning its back on its core stores, he stresses. While it is not increasing the number of locations for the familiar general merchandise business, it is refurbishing and remodelling existing sites.

Indeed, the much-maligned department store could be poised to make something of a comeback. Marshall Field's recent announcement of a $110m revamp for its downtown Chicago store, to be completed by 1992, is proof of its faith in the department store setting.

Analysts also point to the success of the hybrid specialist department store such as the Seattle-based Nordstrom.

There are signs that the specialist boom is beginning to level, although Wall Street's dissatisfaction with Gap and The Limited is expected to be short-lived.

The specialist apparel chains have been hit by higher prices from many of their Far East suppliers, which they have tried to pass on to customers.

However, although retailers are forecasting lower profits and a slower growth trend, first-half sales growth of around 18 per cent on last year's level is still way above the industry average.

The current emphasis in US retailing is on cost-cutting, Mr Landschutz notes. After a drop in US consumer spending and lacklustre September retail sales, retailers are offsetting flat sales margins with aggressive cost-cutting programmes.

"We're not in a bonanza period. It's dog eat dog all the way," Mr Landschutz says. But the specialist retailers are still in the vanguard and there seems little evidence that they are prepared to cede their hard-won market niches just yet.

Tettamanti denies Sulzer takeover plan

BY OUR FINANCIAL STAFF

MR TITO Tettamanti, the Swiss financier, has made clear he does not want to take over control of Sulzer Brothers, the textile machinery and marine engine builder, but called on the company to support its stock price by making better use of its existing assets.

Mr Tettamanti said he personally has owned 3,000 Sulzer shares for about a year. He also said he had recommended friends and acquaintances to buy the shares, which were trading around SFr3,000 compared with a book value of SFr10,000.

Sulzer registered shares closed on Monday up SFr50 at SFr6,675. They have risen from SFr2,850 at the beginning of the year.

Swiss press reports have suggested that Mr Tettamanti and other shareholders friendly to him control as much as one third of Sulzer's total of 199,000 shares outstanding.

Mr Tettamanti said he had received a negative response from Mr Armin Baltensweiler, the company's chairman, to a letter he had sent in April to Mr Pierre Borgeaud, Sulzer's chief executive, suggesting ways in which the group might lift its stock price. He said the rebuff had led him to extend his contacts with other shareholders, who had welcomed his overtures.

Mr Tettamanti, a lawyer who is based in Lugano, said he supported any action that would contribute to the company's and stockholders' financial gain, but stressed that he does not intend to sell his shares outside Switzerland.

"I also do not want to take over Sulzer personally, but will encourage it to use its existing strengths better."

An associate of Mr Tettamanti's declined to disclose the specific proposals he had made in his letter to Sulzer's management, but said the financier wanted his relationship with the company to remain friendly.

Sulzer executives were not immediately available for comment. However, the company has already taken a number of measures to protect itself against what it apparently views as an unfriendly approach.

Crucially, it has reduced to only 1,000 the number of shares which any single shareholder may have entered in the share register. It is not known how many of the shares bought by Mr Tettamanti and his associates have been registered.

● Landis & Gyr, the Zug-based Swiss electrical engineering group, announced yesterday that it had bought the comfort control operations of Mark Controls of Skokie, Illinois, for $132m, writes William Dullforce in Geneva.

Mark Controls has accepted a $27.50 a share offer from Landis & Gyr's US subsidiary at Stamford, Connecticut. A new company is to be formed, named Landis & Gyr Powers.

The new company will have an annual turnover of around $180m and will be the third largest in the comfort control field in the US after Honeywell and Johnson. Comfort control equipment regulates heating, ventilation and air-conditioning in building systems.

eighty seconds

Peter Higgins, Director of Overseas Operations. *Photograph by Terry O'Neill.*

Peter Higgins has £600 million of business under his wing, from Canada to Hong Kong, in local companies which are developing into "mini-GECs" – and which, he explains to **Robert Heller**, are run just like the maxi-GEC.

FOR Peter Higgins, "those who report to me are thousands of miles away. That stretches the line by one notch – I'm that notch." His "line" is the short one that connects The General Electric Company's Managing Directors with the Head Office in Stanhope Gate, which is where Higgins himself is based. But he will "report and account" for the activities of "the bloke who runs the business in Australia" just as the latter would for himself – if he were nearer.

Collectively the "blokes" reporting to Higgins generate a vast turnover: £600 million or so. Like all other GEC Managing Directors, they are accountable for the growth and profit of their businesses – "people are left without excuses," says Higgins. "They are left responsible, and they have all the authority they need." His companies are thus free-standing firms which get much, but not all, of their sales from making or marketing products generated from GEC's British businesses: they are never mere passive outlets for the latter.

THE Higgins companies do, however, play a pivotal role in GEC's £1.2 billion of exports from the UK. "Very, very broadly" he says, "half a billion in exports are sold to the countries where we have a major presence." That presence is provided by the overseas businesses, and stretches back many decades – "The origins of most of mine are old Commonwealth companies: multi-product manufacturing and trading firms, right across the GEC spectrum.

They tend to have the same relative standing in their own territories and markets as does GEC in the UK and their growth has kept pace with that of the Group as a whole." Some are like the Indian subsidiaries (which employ about 9,000 people) and depend entirely upon their own manufacture, usually to designs, and often with components, supplied by UK Group companies. At the other extreme, some of Higgins' charges have no manufacturing activity at all. They are simply trading and contracting businesses "like the successful Hong Kong company, which is the largest electrical company in the territory."

"Half a billion in exports are sold to the countries where we have a major presence."

The strong intention is that all should be successful. Asked how many are showing annual growth in sales and profits of more than 10 per cent, Higgins answers, "if they meet their budgets, all of them."

As throughout GEC, the budgets are at the heart of the system, Higgins holds his budget meetings "on the spot if possible," in the country concerned.

He spends about a fifth of his time "on the road," involved in "discussion, enquiry, looking, listening, forming judgements, very often confirming." The visits are also valuable in enabling Higgins to "make people realise that nobody's beyond supervision" and to "get a feel further down the line."

As he explains, "part of the GEC ethos is that there are no closed doors." Higgins may deal directly with people who report to the local managing director. "I sometimes cut across – he knows, but it's important to feel the pulse." In any event, the local companies are themselves run on typical GEC lines, with responsibility and authority delegated down the line. Higgins ticks off the main elements: "Enormous simplicity, very short lines of communication, no committees, no politics, the level of accountability is high and commensurate with freedom of action, rights and obligations are very clearly defined." Higgins, now 55, has had as close a view as anybody of that system's evolution. He was working for the old top-heavy GEC ("typical of British industry of the day") before the future Lord Weinstock arrived on the scene.

"Making money is the result of doing other things properly."

The application of Arnold Weinstock's ideas to what had been the three huge, sprawling businesses of GEC, AEI and English Electric was an experience that, says Higgins, he would gladly have worked through for nothing. One central theme of those years, that "the route to growth is through efficiency," still animates the company, along with the fact that "decisions are quickly available. Nobody is allowed to be unavailable." That imposes evidently large demands on somebody who may be wanted at any time by any of a dozen managing directors spread around the globe.

The key, of course, is the quality of the managing directors, which "has certainly become more

"People are left responsible and have all the authority they need."

professional." Higgins associates this partly with "the demise of the old style expatriate." Today there's "only one country left where we have an expatriate MD": but Hong Kong's run by a Chinese, Singapore by a Singaporean, India by an Indian, and so on.

In several of the countries, the companies are pursuing developments of their own; such as data communications in Australia, industrial drives in New Zealand, traction inverters in Canada. The result is that, where historically the technology flow was all outwards from the UK, there is now increasing two-way traffic.

HIGGINS' role includes, very importantly, selecting the managing director (he also picks the finance director) who can achieve the necessary entrepreneurial success out on his geographical limb, while maintaining financial control. "You need a special guy, or a talent you can make special." For preference, the appointee will be somebody "who's coming up in the company: if not, it's a reflection on me." Higgins reckons that the product knowledge, and experience of the system gives a GEC manager a "tremendous advantage" in fitting in.

The system necessarily imposes some restraints. No managing director can forget, any more than Higgins, that he's "an employee of GEC with an overriding responsibility to shareholders. He must always take decisions in the best interests of the group" (for obvious example, if there's a question of handling a product directly competitive with GEC).

"The day I find everything's OK, I'll go."

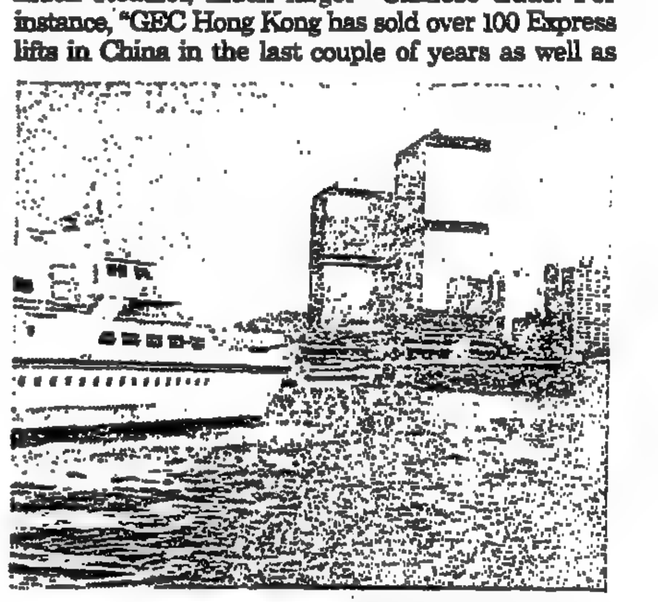
"At the end of the day," Higgins stresses, "he still has to perform in terms of profit." That's the criterion of the budget meetings Higgins holds and of the omnibus meeting where he discusses all the budgets with Lord Weinstock.

Like his own boss, Higgins is "difficult to satisfy – but one has varying degrees of pleasure." The pleasure in an overseas network is always being interspersed with pain, sometimes because governments take unwelcome actions, very often these days because currencies move against the local management.

That's tough, but the managing director won't find a shoulder to weep on in a tough managerial environment: "Making money is the result of doing other things properly. It all comes out on the bottom line."

READING the annals of the overseas companies in the GEC annual report, more of the setbacks seem chronicled than the successes. "That's the dissatisfied me," says Higgins. "The day I find everything's OK, I'll go." He does, however, have every reason to expect his companies to become more and more OK. "I would expect them to develop as GEC develops" – that includes both growing organically and "in the fullness of time, making their own acquisitions." Higgins is sure that "if GEC is concerned to grow, it cannot be only in the context of the UK economy."

One of the strongest growth cards is China, where the Hong Kong company has been given a "fairly free rein" for the "longish haul" of building up "a much steadier, much larger" Chinese trade. For instance, "GEC Hong Kong has sold over 100 Express lifts in China in the last couple of years as well as



The towering Shun Tak Centre in Hong Kong contains offices and the Victoria Hotel. GEC Hong Kong supplied and installed the 55 lifts, manufactured by the GEC UK subsidiary The Express Lift Company, together with the specialised lighting. The highspeed ferry in the foreground is powered by GEC's Paxman diesels and 14 hydrofoil passenger platforms were supplied by GEC Mechanical Handling. A sailing information display system was also engineered for the ferry service by GEC Hong Kong.

Inaugurated in 1986 to serve the Expo Fair, the fully-automated, driverless Vancouver "Skytrain" is the world's first large-scale AC traction system using linear induction motors. The traction equipment was constructed by GEC Canada to a design developed jointly with the UK parent company.

the UK company's huge '*Starvision*' public TV screen which has an important role to play in the field of mass communication. Business with China will grow." So, in Higgins' confident opinion, will the overseas companies as a whole. He sees them developing into "mini-GEC's – most would represent most of GEC" and changing in size and shape as they develop. In that too, they will closely resemble their bigger brothers in Britain: "It's not a static group."

The Sydney Opera House and the Harbour Bridge. Both are lit to stunning effect by Osram-GEC floodlight.

Robert Heller is Editor-in-Chief of Finance Magazine.

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FT LAW REPORTS

Deposed President cannot sue bank

DEGAZON v BARCLAYS BANK INTERNATIONAL LTD
Court of Appeal (Lord Justice Kerr, Lord Justice Neill and Lord Justice Bingham): October 8 1987

THE COURT has no jurisdiction to hear a claim for debt against the foreign executor of a foreign estate who has incurred no personal liability in England as trustee or debtor, and who has not intermeddled with the estate as executor *de son tort*.

The Court of Appeal so held when allowing an appeal by Barclays Bank International Ltd from Mr Justice Roch's decision that a claim against it by Mr Frederick Eutrope Degazon OBE QC should not be struck out.

LORD JUSTICE KERR said that Mr Degazon sought to recover fees for legal services rendered in Dominica, West Indies, to a former friend and client, Gerard Winston, who was domiciled there at his death on May 20 1980.

By a will dated October 25 1971, and drafted by Mr Degazon, Mr Winston appointed the bank as his executor and trustee. On September 4 1980 the bank was granted probate.

The issue was whether Mr Degazon's action against the bank was maintainable in the UK.

Mr Degazon was born in St Lucia and was now 74 years old. He was called to the English Bar. He practised law in Dominica from 1966 till December 1978, when he was elected President of the country. The government was overthrown by a coup the following year, and he and his wife fled. They came to live in the UK at Dulwich. His means were extremely limited, consisting mainly of a small pension.

The bank had a branch in Roseau, but its nearest trustee department was in Bridgetown, Barbados. When it obtained probate in Dominica all matters connected with the administration of Mr Winston's estate were conducted from Barbados.

On February 5 1981 the Barbados branch wrote to Mr Degazon in London requesting information about Mr Winston's assets in the UK and Canada. Mr Degazon replied, giving information.

He wrote again providing further information, and explained that it had always been anticipated that he would prove the will and that the accounting for his services would take place then. He said that the chaotic circumstances of his departure from the Presidency had made it impossible to settle those matters, but that evidence of his statements would be found in Mr Winston's records.

The bank replied and said it was assuming he would submit a claim for his services. Mr Degazon's claim totalled 51,086 East Caribbean dollars.

The bank acknowledged his communications. On July 1 1982 Mr Degazon was informed that his claim had been passed on to lawyers acting for the estate in Dominica. In April 1983 he received a letter from lawyers in Roseau, informing him that his claim had been discussed with the beneficiaries and that the bank, as executor, had been advised to deny liability.

Mr Degazon then obtained legal aid and issued the writ in the present action on February 7 1984. It was addressed to and served on the bank's head office in London. It claimed 51,086 East Caribbean dollars against the bank as the executor of Mr Winston's estate.

The bank applied to stay the proceedings on the ground that the *forum conveniens* of the case was Dominica.

Mr Degazon pointed out in reply that having regard to his personal circumstances, Dominica was not an appropriate forum, since he would be unable to pursue his claim there.

He was legally aided in the UK, and there was no legal aid in Dominica. He did not have the means of travelling to Dominica, or of paying his subsistence during the proceedings. Furthermore, he feared for his safety. He said that a stay of his action in the UK would effectively deprive him of any remedy anywhere.

Master Bickford-Smith expressed his sympathy for Mr Degazon, but reached the firm conclusion that the action must be stayed. He said the fundamental consideration was that the normal place in which a lawyer should sue for his fees was the country where they had been earned, and before whose courts he had been practising at the time.

That decision was reversed by Mr Justice Roch on appeal. Although the cost of fighting the action here would undoubtedly be higher for the estate and therefore disadvantageous to the beneficiaries of the will, he concluded that the balance of justice required that Mr Degazon should not be debarred from pursuing his claim altogether.

On the present appeal the court drew counsel's attention to what appeared to be a jurisdictional bar to Mr Degazon's claim, and referred them to Rule 133 of *Dicey & Morris on Conflict of Laws*. It said it did not wish to hear full argument on the issue as to *forum conveniens*, but would hear full argument on the jurisdictional issue.

Rule 133 stated "A foreign personal representative is not, as such, under any liability in England and cannot be sued in England. Provided that – (ii) the foreign personal representative may by his dealing with the property of the deceased incur personal liability in England as a trustee or debtor."

In addition to the two exceptions of trustee or debtor the comment on the rule also mentioned that in appropriate cases the foreign personal representative might be sued as an executor *de son tort*.

The bank relied on the rule, whereas Mr Degazon relied on the exceptions.

The court was referred to many authorities. The principle of Rule 133 was settled law and, subject to any applicable exceptions to it, Mr Degazon's action must be stayed.

Cases where foreign personal representatives might be sued as trustee or debtor were true exceptions. Actions against executors *de son tort* could be brought against anyone who had incurred liability which fell within that concept, whether he were a foreign personal representative or not.

Mr Walsh for Mr Degazon sought to rely on all three qualifications. His submissions based on trust and debt failed. His third and main submission was that the action against the bank was maintainable on the ground that it had acted, and was liable, as an executor *de son tort*.

An executor *de son tort* was one who intermeddled with an estate without the authority of a valid grant of probate or letters of administration.

The concept was defined in *Williams on Executors*: "a person not lawfully appointed executor...may by reason of his own intrusion upon the affairs of the deceased be treated for some purposes as having assumed the executorship: such an intermeddler is called a tort executor or an executor *de son tort* (or of his own wrong)..."

The authorities and textbook statements were not precise as to the acts which were sufficient to constitute "intermeddling". But any dealing with the assets of the estate appeared to be sufficient unless done by or with the authority of a properly constituted personal representative within the jurisdiction.

Mr Walsh submitted that the bank had become an executor *de son tort* because it had raised objections to the validity of the claim against the estate.

Since those objections were only raised in affidavits in support of an application that the action should either be struck out or stayed on the ground that the *forum conveniens* was Dominica, that argument was obviously unconvincing.

He submitted that the bank became an executor *de son tort* as a result of a letter of February 5 1981 sent by its Barbados branch to Mr Degazon demanding payment of a debt of 1,023 East Caribbean dollars.

Since the court was referred to no authority which led to that conclusion, and since the bank's demand had no consequences whatever for the value of the assets of Mr Winston's estate, that submission was not accepted. As executor of the estate it was the duty of the bank to collect the assets, including debts due to the estate.

In any event, the question whether the bank could be regarded as an executor *de son tort* was wholly academic unless the acts on which Mr Walsh relied exposed it to liability on that ground.

The liabilities of an executor *de son tort* were limited to the value of any assets of the estate wrongfully received or dealt with by him and to any other loss or damage suffered by the beneficiaries or creditors of the estate for which he might properly be held responsible.

There was no way whereby the bank could be under any liability as an executor *de son tort*. As the result of the acts relied on by Mr Degazon, the bank had not benefited by a single penny nor caused any loss or damage to the estate, nor to Mr Degazon.

The submissions made by Mr Walsh as to the bank's possible liability as an executor *de son tort* were entirely misconceived.

Mr Degazon's action against the bank as executor of Mr Winston's estate in Dominica for debts allegedly due from the estate could not be permitted to proceed in the UK and should be struck out. The appeal was allowed.

Lord Justice Neill and Lord Justice Bingham agreed.

For Mr Degazon: Steven Walsh (Waterhouse & Co)
For the bank: Timothy Charlton (Durrant Piesse)

By Rachel Davies
Barrister

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In the first of a series on trans-European corporate strategies, William Dullforce looks at the approach adopted by Switzerland's foremost confectionery manufacturer

Learning a common language

GLOBAL BRAND marketing is not a novelty in Jacobs Suchard's business. The Swiss coffee and chocolate group competes in a market where companies like Mars of the US have successfully promoted goods worldwide for many years. Britain's Rowntree has recently launched an ambitious international advertising campaign for its After Eight mints.

Even so, Jacobs Suchard could hardly provide a better illustration of the importance for European companies of building a continental base for their global ambitions; 90 per cent of the Swiss company's sales (SFr5.2bn, $3.5bn) are in Western Europe and the company recognises there is further potential in the region.

It does not think these possibilities will be much affected either way by the creation from 1992 of a single, barrier-free market in the European Community on whose fringes Switzerland lies.

The company's strength lies in its brands, Milka, Suchard, Toblerone, Tobler, Cote d'Or and, for coffee, Jacobs. "To capitalise on these assets, we have to exploit them worldwide," says Charles Gebhard, senior group vice president. "We cannot just focus on 1992 in Europe, we need global marketing and advertising."

And as a reminder of its global ambitions Gebhard points to the group's completion at the beginning of the year of its acquisition of the US confectionery business, E.J. Brach, for $750m.

Klaus Jacobs, the executive chairman and the driving force behind Jacobs Suchard's expansion, has focused the top management team in Zurich on an idea, Vision 2000, of what the group can look like by the turn of the century. His concept is shaped by the removal of trade barriers within Europe but an even more profound influence has been a decision taken in 1982, when the group was formed from the merger of the Jacobs coffee business with Interfood, the parent of the Suchard and Tobler chocolate companies.

It was decided then that Jacobs Suchard had to become the lowest cost producer and marketer if, as a David among Goliaths, it was to secure a place in the harshly competitive confectionery business. Because the Goliaths - Mars and Nestle - operate globally, lowest meant lowest worldwide. And the inevitable corollary was worldwide marketing.

Other elements contribute to Jacobs Suchard's global image of itself. One is what Jacobs calls the hybrid consumer, the customer increasingly common in rich countries who buys speciality products on one shopping trip and "no frills" products on another.

A hybrid can drive a Jaguar and buy petrol at a cut-price self-service station, will wear cheap jeans with $250 Gucci shoes, shops for basic foods at a supermarket, but can afford to treat himself or herself to expensive chocolates or coffee. Serving the hybrid has become a major force behind Jacobs Suchard's product development and marketing efforts. And the hybrid is a global phenomenon.

One objective pushing the group towards global planning is the perceived need to balance commercial risks and to counter market fluctuations by building up a North American business. Another is the aim, by being present on several financial markets, to multiply options for raising capital, in order to meet possible expansion possibilities.

It is evident that in pursuit of its lowest cost objective Jacobs Suchard has profoundly changed the style of its European operations over the past five years - a move which may well have given the Swiss group a competitive advantage on the emerging single market.

Since 1982 the group has invested heavily in rationalising production and exploiting cross-border trading opportunities. Production of individual brands has been concentrated in fewer factories, re-equipped with more highly automated machinery, to obtain economies of scale. Rationalisation of manufacture has been followed by decentralisation of management, to keep profit responsibility closer to the market and to increase flexibility in promoting brands.

A big investment has been the SFr120m spent on a new factory at Berne to produce Toblerone and other Tobler products for the whole European market. In West Germany the Tobler factory at Stuttgart was closed down and equipment transferred to Loerrach, just across the border from Basle, turning it into the main producer of Milka products, exporting to Belgium, France and Britain.

Employees' reluctance to move to new jobs has sometimes caused problems. Only three of 150 blue-collar workers made redundant when the Stuttgart factory was shut moved to Loerrach, although Jacobs Suchard wanted to keep people experienced in the use of the transferred machinery. Locally recruited staff had to be trained.

Four years before the new Berne factory came on stream, the 500 at the old plant were told that it would employ only 300. Retirement from a fairly aged staff helped but, as the transfer date approached, some 50 superfluous employees remained on the books.

A generous offer of severance pay, well above the legal requirement, was made to 90 staff, mostly married women with husbands in jobs. More than 50 accepted the offer.

In France the old Paris factory was shut down and production concentrated at Strasbourg, where for an investment of some SFr20m-25m the plant was extended and modernised. Strasbourg makes Suchard chocolate, pralines and some Milka products.

Milka is the umbrella brand name for a dozen or so milk chocolate products with varying flavours and compositions. Milka Nussini products - chocolate-covered hazel-nut wafers - are produced exclusively in Austria for the rest of Europe.

Spain provides a recent example of Jacobs Suchard's planning. Before Spain joined the EC last year, the Zurich team had been considering modernising the inefficient factory at San Sebastian in the expectation that Spain would only gradually reduce its high tariffs on confectionery imports from other Community members.

In the event the Spanish government dropped all tariffs. Jacobs Suchard closed the San Sebastian plant, since it could supply what Gebhard calls "an interesting and developing market" from other production centres. Now, however, plans are afoot to re-establish at San Sebastian a small unit at which one product will be made for the rest of Europe.

Cross-border distribution was started by Tobler and Suchard in the 1970s, as customs barriers betwen EC counries began to fall, but 20 years ago the principle was still that a factory served its national market with a full range of Suchard and Tobler products. There were as many different shapes and formulations of one chocolate brand as there were countries manufacturing it. The new pattern, born from concentration of production and coordination of the distribution network, became fully established only in the mid-1980s.

Rationalisation of production has been applied principally to the global brands. The group also makes what it calls "core local products" and "local excitements" to fit particular national or local tastes. Thus, the production programme for each factory is not completely streamlined but enough for Gebhard to envisage the possibility of round-the-clock manufacturing. The industry has to "work at the idea," he says. For the time being differing national labour rules apply.

Manufacture of cocoa liquor, obtained from the first processing of the cocoa bean, originally took place at numerous points in Europe. These have been reduced to five units and the management believes it can eventually make do with two or three.

Production of "industrial chocolate", a semi-finished product delivered by truck in liquid or block form all over Europe and used for all sorts of chocolate coatings - to cover biscuits, ice-cream or in the making of pralines by local chocolate makers - has been concentrated mainly in Belgium. Output at the Callebaut subsidiary there has doubled since 1981 following a substantial investment.

Coffee, which until the company's latest purchase on the confectionery side made up some 60 per cent of Jacobs Suchard's turnover, is a simpler business than chocolate. The investment in fixed assets is smaller and processing is limited practically to blending, roasting and packaging.

Nevertheless, volume gives comparative advantage and Jacobs Suchard has been concentrating production. One large plant in Germany supplies Denmark and, partially, other countries. France, where the group owns the Jacques Vabre label and has a major stake in Grand Mere, is heavily supplied from Belgium.

Rationalisation of the confectionery business throughout Europe has been accompanied by the development of an entirely new management system. Initially Jacobs applied "martial law" to impose the changes in production and marketing but this has been followed by the "unlayering" of the management structure and the decentralising of responsibilities.

At the start the group was conventionally organised into a hierarchy of business units, divisions and countries which reported to managers at head office. "Unlayering", assisted by the introduction of computerised reporting, was aimed at doing away with bureaucracy and "fiefdoms" and increasing scope for enterpreneurship at the front line. A whole second level of management was eliminated, so that contact is now direct between the 50-strong head-office unit and the general managers responsible for all operations - coffee as well as confectionery - in each country.

Another new idea has been the introduction of "global brand and marketing sponsors." These are people whose role is to coordinate worldwide the manufacturing and marketing of a particular brand. Sponsoring is not their only job. Most are based at lead manufacturing units for their brands and combine general management responsibility for chocolate or coffee businesses with their sponsoring function. The German general manager for chocolate sponsoring the Milka brand coordinates the marketing of Milka products worldwide.

In Zurich the group has a fully international management team, kept deliberately slim. In addition to Swiss, it has German, French, Dutch, English and American members. There are no Swiss in senior management positions in Germany, France, Austria or Britain but managers are interchanged. An Austrian is general manager in Spain, a Swiss runs one Belgian business unit and a German heads an Austrian division.

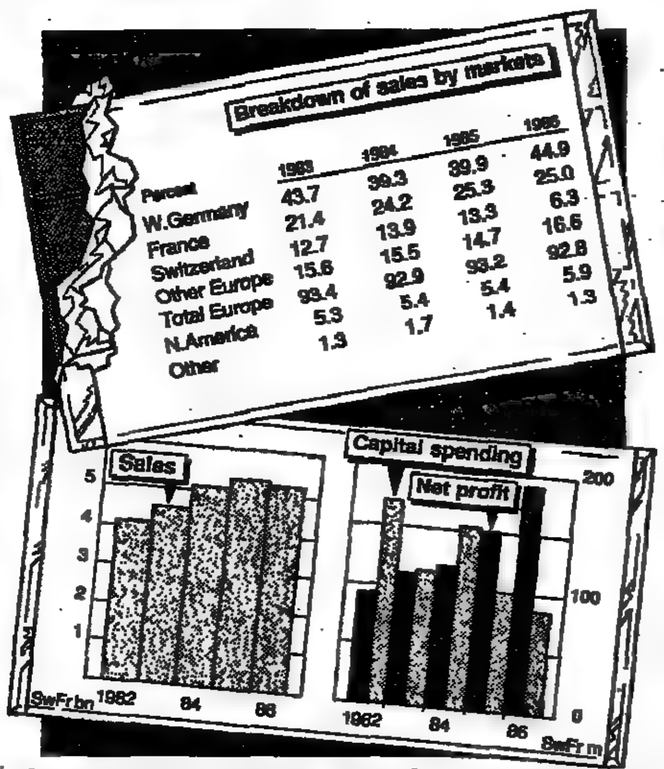
Because of its fast expansion and its philosophy of running a tight top management Jacobs Suchard does not have a big management reserve. Its acquisitions on the whole have been well-run concerns and existing managers have been kept on. Executives are sent from one country to another when their experience or special skills are needed.

English is the corporate language. All formal meetings at Zurich headquarters (where until the recent arrivals of a Briton and an American there was no native English speaker) are conducted in it. Fluency in English is a "must" at the top two levels of group management and has already percolated to lower management strata, according to Gebhard. Managers posted outside their native countries are expected to learn the local language; courses are paid for.

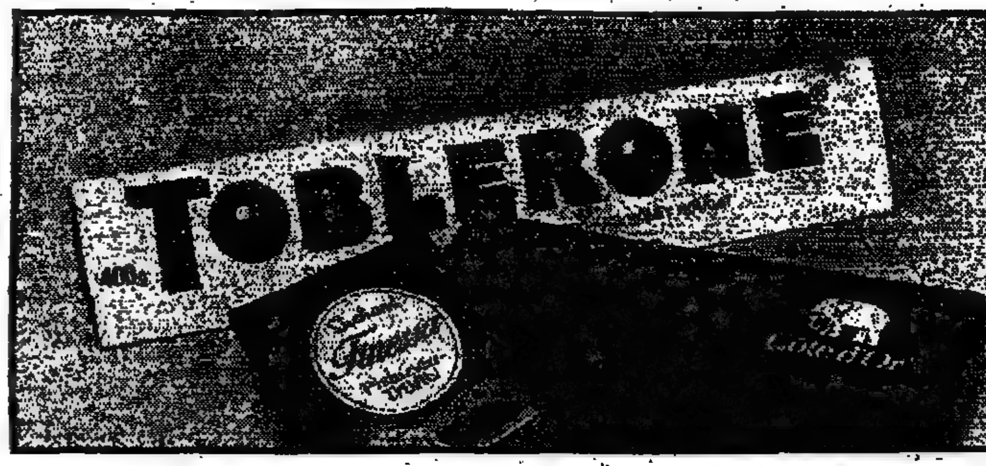
An ambitious four-week corporate training programme started in 1985 is conducted in English: again the company pays for a course if it is needed. Originally some 600 staff were expected to take the programme but this figure has been raised substantially after the acquisition of Brach and Cote d'Or.

Running a European (or global) business from Switzerland has far more advantages than drawbacks in Gebhard's view. He enumerates its central location, free market climate and the stability of its currency, economy and political climate.

The only drawback he can see is that some group products made in Switzerland do not enjoy full exemption from EC customs duty. That, he says, is a matter on which "Swiss negotiators need to act."



Percent	1983	1984	1985	1986
W.Germany	43.7	39.3	39.9	44.9
France	21.4	24.2	25.3	25.0
Switzerland	12.7	13.9	13.3	6.3
Other Europe	15.6	15.5	14.7	16.6
Total Europe	93.4	92.9	93.2	92.8
N.America	5.3	5.4	5.4	5.9
Other	1.3	1.7	1.4	1.3



Jacobs Suchard products now range from Toblerone to the Belgian Cote d'Or chocolate

THE ARTS

Television/Christopher Dunkley

Beware inverted snobs

The most popular programmes on British television, apart from the soap operas *Coronation Street* and *EastEnders*, tend to be the early evening light entertainment series shown on Friday, Saturday and Sunday. They form a fairly predictable collection, all of them essentially old fashioned, most of them based upon pastimes popular before the age of television, notably parlour games and music hall.

Friday brings *Bruce Forsyth's Play Your Cards Right* which is a cross between a general knowledge quiz and a card game, and *Blankety Blank* which is the sort of word game people used to play in church halls or even at home. *Bob's Full House* on Saturday is a quiz linked to bingo, and *The Russ Abbott Show* is a powerful reminder of my first theatrical experience: a seaside revue at Felixstowe in 1949.

ITV's *3-2-1* which is screened at 7.45 on Saturday, attracting 10m or more viewers, is a combination of quiz and variety; and *New Faces Of 87* (Friday, ITV) is a talent contest of the sort which has been going on, presumably, *since the year dot*.

Live From The Palladium is a straightforward variety show, currently compered by Jimmy Tarbuck, which has been presented by ITV, on and off, ever since the beginning of commercial television in Britain in 1954. The prize game element (originally "Beat the Clock" when the series was called *Sunday Night At The London Palladium*) is now absent but the rest of the bill is just as it always was: comedians, popular singers, ventriloquists, and a dance troupe.

A few of these high-rating weekend programmes are based upon, or even straight copies of, series from the great days of American radio. *Blind Date*, which occupies the key 6.30 slot on ITV on Saturdays, was launched on American television in May 1949, *after its big success* on American radio during World War II. The formula is unchanged: a group of young men separated by a wall from a young woman compete to win a date with her. These days the tables are also turned and a team of young women vie for a date with a young man.

The programme which follows at 7.15, *Beadle's About*, has its origins in an even older series. *Candid Microphone* was enormously popular on American radio before it transferred to television, under the same title, in 1948, subsequently becoming *Candid Camera* in 1949. Jeremy Beadle may not have quite the chutzpah of the original American presenter Allen Funt (who once did his entire programme, without permission, from Moscow) or the plausibility of Britain's Jonathan Routh who tried to take a grand piano onto the tube, but the idea of the programme is the same as ever.

For me the embarrassment at the centre of every "candid camera" series has been too much, and although it is true that the victims invariably laugh (with relief, and as a release from tension, which is no guarantee that they have fully accepted the "joke") and are nowadays seen in the studio joining the laughter at their own discomfiture, I have preferred not to watch — except as a professional duty.

But if you express distaste for a series such as *Beadle's About* or *Blind Date* people who are otherwise quite sensible are likely to accuse you of putting on airs. The idea seems to be that such programmes are "only a bit of fun" and if you do not enjoy them, then you lack some essential aspect of humanity.

Refuse to surrender to this modishly demotic argument and the attack turns nasty: *it is implied* either that you are—you must be—a secret viewer of these series because deep down we all like such stuff, or, conversely, you do not know what you are talking about because *you have not seen them* often enough, and if only you changed your ways you would be disarmed by their charm.

These arguments sound suspiciously like the self-justifying rationalisations of people who are, at heart, ashamed of their own liking for such material, but I have to admit to watching these series very rarely. So, *having recently been accused of* being toffee nosed about *Blind Date* (by a top Channel 4 executive, no less) I watched them all again this week. Had I been wrong to remain aloof from the scummy, fraternal warmth of *the communal bath?*

No, I had not. Certainly there were occasional pleasures, such as Russ Abbott's wickedly accurate parody of *The Singing Detective* with every phrase prompting a mimed thirties' *song; or the moment when the* golfer hit Beadle's first exploding golf ball. But such delights were overwhelmingly outnumbered by "jokes" of desperate weakness and whole programmes of awful banality.

Bob Monkhouse, presenter of *Bob's Full House*, having asked "Which country has a famous dish called sukiyaki?" and been told "Japan," chortled "Yes! I had six plates of sukiyaki, went to the loo and was mucky-sicky. I came out with stickie-sockies." Marti Caine, introducing *New Faces Of 87* (in an astonishing full length dress, *split from ankle to armpit*, a fact which only became clear, however, when La Caine took a stride worthy of a triple jumper . . . which of course she did, continually) told us that the next contestant was a *geography teacher*, so he knew where he was going. Russ Abbott said "I'll take my pith helmet" to which his stooge replied "I'll need that" prompting the punchline "Are you taking the pith?"

And on Blind Date the man who was asked by his potential date what he would do if she clucked like a chicken, said "Well, I know it's poultry, but . . ." That is a prime example of the chief constituent of this *programme, and one of the* main ingredients in many of these other top-rated series: laboriously pre-arranged dialogue gags which are presented

Cilla Black, commère of "Blind Date"

as though they are impromptu.

This week's *3-2-1* featured a juggling act, an unimpressive guitarist "who hails from France," community singing led by Wayne Sleep, and one of those television dance troupes whose mediocrity makes you despair of television variety: when *standards in popular* dance are set in the cinema by Astaire and Kelly and in theatre by the Georgian State Dancers, how dare television continue to feature dancers who cannot even move in unison and choreographers whose metier is clearly keep-fit classes for the elderly?

But the central element of *3-2-1 is the* guest contestants, and host Ted Rogers has his introductory patter with them assiduously worked out. "Ah, you work for a German computer company? Jerry and the pacemakers!" Monkhouse is *just as carefully prepared on Full House*: "You were a band singer? I was too — 25 years I was banned." And on *Blind Date* the contestants are even coached to produce repartee without the hostess, Cilla Black.

Asked by the male hopeful "Since I'm very fond of fruit what fruit would you be?" the female competitors trot out their lines: "A date — pick me and you'll have a great date" and "Passion fruit because I have incredibly smooth skin and I'm soft and sweet on the inside."

These cringe-making lines are greeted by the studio audiences with delirious applause, raising the question of whether they are so naive that they really believe these exchanges are spontaneous, or are being egged on by a studio manager with an "Applause!" board, or whether this is just another example of the electronic "enhancement" of audience enthusiasm by the producer. . . in other words canned applause. Whatever the answer you would need to be benign *to the point of stupidity* to be carried along at home by the volume and seeming enthusiasm of that noise.

There have, of course, been instances of entertainers rising from the ranks of popular culture *to achieve great acclaim*: Max Miller, Edith Piaf, Frankie Howerd and others have rightly commanded the attention of discriminating audiences. But there is at present nothing in these weekend light entertainment series to compare with such talent, and to assert that all of us *ought* to enjoy *Blind Date* or *3-2-1* is merely inverted snobbery.

Macbeth/Grand Theatre, Leeds

Rodney Milnes

However, much one admires the ingenuity of our operatic managements in the face of crippling underfunding, one nevertheless doesn't want to see every single opera played on a bare stage surrounded by black flats or curtains, performed by singers for the most part in black costumes, and with lighting having to do the work of decor. In the wake of last week's successful *Werther* at the Coliseum Opera North have given us a *Macbeth* that is not quite so dour—the lighting designer Paul Pyant varies the colours of the panels momentarily revealed by the parting blacks of John Gunter's set, and Lady Macbeth wears wine-red velvet —but jolly nearly; there's not so much as a potato crisp on offer at the Macbeths' banquet, *let alone a plate to put it on*.

Never mind, the main thing about Verdi's opera is that it has to be well sung and played, which it is. Just as impressive as the cut-and-thrust, fiercely propelled vigour of John Pryce-Jones's conducting (room for just a touch more expansiveness here and there?) is the evident quality of the musical preparation. In few other of Verdi's early operas do contrast of dynamic and control of vocal colour count for so much, and the way all on stage responded imaginatively, not just slavishly, to the composer's wishes was wholly admirable.

The two leading roles are outstandingly well taken. Josephine Barstow, Sheffield-born and making a belated debut with the company, brings her familiar, single-minded intensity of impersonation to the Lady, all crooked smiles and louche walks at the start, horribly graphic in her eventual disintegration. Her voice sounds fabulous in the Leeds Grand, its darksome lower register "speaking" more clearly than it sometimes does in larger houses, her top fielded with characteristic gleam, fearlessness and security. The treacherous soft D flat at the end of the Sleepwalking Scene was perfectly placed. May this be the first of many appearances with Opera North.

Nobility of utterance, oddly enough, *is what one seeks* above all in a Macbeth, and it was there in plenty in Brent Ellis's hugely accomplished interpretation. From hushed *pianissimo* to searing *forte* he was in complete command of the role's varied vocal demands, his tone always firmly centred, his command of *cantabile* growing ever more sure via the Banquet Scene to a beautifully interior account of the fourth-act aria. A tragic hero indeed.

Some of the casting lower down was less satisfying. That promising young bass Clive Bayley is not quite ready for Banquo, and it was hard to banish the dread adjective "provincial" in the case of the two tenors, though I daresay the Italian provinces have heard, and are still hearing, far worse.

Ian Judge's production is, it goes without saying, brimful with ideas, ideas that tend to diffuse (as in his *Cav and Pag*) rather than concentrate (as in his *Faust*) attention on the main action. One might understand a producer wanting to introduce Macduff's dead children to haunt Lady Macbeth, or three silent (male-in-drag) *witches to propel the action*, to a Brand-X opera company, but not with principals and chorus as fine as these. It was especially depressing to see Opera North's lady choristers, singing wonderfully, banished upstage to make room for these *unnecessary extras*, without whose constant ministrations performers as communicative as Miss Barstow and Mr Ellis could also very well have done.

The last few minutes, as seems traditional with this piece, were a mess, the final image a time-dishonoured cliche. And if you are going to bring on Macbeth's head, it must look something like the real thing, not a village-hall prop. If the wretched drag *queens were banished* forthwith, this could still be a fine production, and as it is, it doesn't detract from the excellent musical values.

Josephine Barstow

Sarcophagus/Mermaid

Michael Coveney

After the Chernobyl disaster, the director of that plant in Vladimir Gubaryev's play tells an investigator that he could not possibly be put on trial: "It would start a chain reaction that might become unstoppable."

Events since the tragedy have proved otherwise. The buck stopped sharply with the plant director, his two engineer colleagues and three other officials, all of whom are now *serving 10-year and five-year* sentences in a labour camp. The reporting of Chernobyl, the accounts of the trial and indeed this play itself have all been symptomatic of the new *glasnost* under Mr Gorbachev.

The author, the science editor of Pravda, wrote the play quickly after visiting the scene of the accident. The RSC's production by Jude Kelly, newly transferred to the Mermaid from the Pit, has lost nothing *in the urgency of its theme but* quite a lot in its immediacy of impact. Set in a spookily bland terminal radiation clinic, Mr Gubaryev's play can now be seen as a pertinent but clumsily crafted hospital drama.

The ward of wooden cubicles, arranged on two levels in rows like vertical coffins, is in the first place empty save for the staff and a tiresomely cheerful *patient who has survived 15* operations. This freak immortal calls *himself* "Fred the Undead." Nicholas Woodeson's physical appearance has been unbeatably described as a mixture of Nikita Kruschev and Fungus the Bogeyman: he is green, bald and bustlingly energetic, with Ken Dodd molars and a curious top-knot. It is a grimly watchable performance, undermined only by long periods of his having nothing very much to perform.

The accident of Reactor Number 4 yields a string of patients who are barely characterised before they are developing red face blotches and snuffing it behind the glazed glass of the cuibles. An investigator prefigures the real life trial, and an American delegation arrives to study the repercussions. The *idea of the impossibility of any*thing like this ever happening is ironically treated throughout. An old peasant woman (Ruby Head) is wheeled out in a sack as someone declares the reactor to be a perfect device. Most *strikingly*, Mr Gubaryev is not registering outrage or horror at the fact of the plants' existence, but underlining the catastrophic consequences of inevitable human error. We are no longer playing with fire but with wholesale human and economic conflagration. The globe is a tinder box.

Nicholas Woodeson

Chernobyl has now become a *talismatic shorthand for* the dangers that we have invented for ourselves. Its significance has seeped into the collective universal consciousness, rendering Mr Gubaryev's play (translated by Michael Glenny) an almost superfluous minor document.

Victoria Wood/London Palladium

Antony Thorncroft

Victoria Wood is currently queening it at the London Palladium, an impressive port of call on her lengthy national tour. She is a comedienne at the peak of her powers, secure in the approval of the audience and confident in her material.

She is a much more up front performer these days. There is less hiding behind the piano in *a boiler suit, bewailing her size* and skin texture. Now this glamorous figure takes us on extended flights of fancy through contemporary Britain, or rather the shopping malls of the land. The consumerist *society is her happy hunting* ground and no artist can have milked more material from a visit to Boots. When not rushing into Laura Ashley shouting "Polyester," she is messing up the knitwear in Benetton. Foreign tourists should keep away unless they are familiar with Newberry Fruits, Vimto, and Spud'u'likes. Like the *music hall comics of the past*, who she so happily resembles, there are certain key catch words which pepper her act, words like "balaclava" and "verruca." To appreciate it to the full you need to know about *the vagaries of Morris Minor* drivers and of girls from Derby on holiday in Spain.

It is very funny, which is the main problem. After half an hour you need a pause from laughing—the grin gets fixed. But there is no remission. On and on goes the whirlwind tour, taking in the awfulness of in-store beauty demonstrators and British farce. When Victoria Wood closed the first half with *a very sad song about babies* being discarded in litter bins there were reflex titters from the audience.

There is a sprinkling of new songs, mainly about how laughable love is, but old stand-bys, like "Pretend to be northern," survive intact. By now Ms Wood has discarded such advice. She is the most completely *English performer around*, the common man's answer to Joyce Grenfell. She celebrates the national virtues and vices; she is just blue enough in her material; she is a triumph for the system. Indeed, at 34, Victoria Wood is already an Institution and one that demands an instant conservation order.

Charlton Heston as Sir Thomas More

Charlton Heston returns to the London stage to play Sir Thomas More in this year's Chichester Festival Theatre production of Robert Bolt's *A Man For All Seasons*, opening at the Savoy Theatre on October 19 for a limited season.

Mistry Quartet/Wigmore Hall

Andrew Clements

The Hans Keller Memorial *Concert in the Wigmore* Hall a year ago first focused critical attention upon the young Mistry Quartet. It was formed at the Guildhall School in 1984 under Keller's guidance, and has been showered with prizes ever since; Monday evening's recital was the product of the latest of those, the Frank Britton Recital Award, which *is now given annually* to *fund* a London recital by a young professional soloist or ensemble.

It proved a frustrating rather than celebratory occasion. There is no doubting the Mistry's *collective talent, nor* the enormous maturity of much of its playing. Many passages in a highly catholic programme were delivered with massive assurance and aplomb — the opening of Haydn's B flat Quartet Op. 76 no. 4 for instance, kindled into life with perfect restraint and developed from a genuine pianissimo, and the *finale of the same work* was *turned* with light-fingered grace. Many quartets would work for decades to achieve such suave musicality, while the instinctive ensemble that allows movements like the finale of Mendelssohn's E flat Quartet Op. 12 to be taken at full tilt without even a sense of momentary *strain seems entirely a* natural rather than acquired character.

Yet there are still aspects of the Mistry's playing which are less desirable. The tonal blend is unalluring, brittle sometimes, raw at others, though individually the players are strong, compulsive players *— perhaps that is the difficulty*. And in this concert at least faulty intonation was a constant and distracting problem; whenever the music was pressed expressively the tuning (of the violins in particular) went awry, and many otherwise faultlessly prepared phrases were undermined. It is almost *as if the strain of fleshing out* an interpretation rather than merely realising the notes tells at critical points; perhaps it can be taken as a measure of the Mistry's ambition. Nevertheless it does at present make *the playing more convincing in* music with straightforward virtuosic demands — the Twelfth Quartet of Elizabeth *Maconchy* that began the evening and Britten's Three Divertimenti that ended it, both handled with great flair and tingling virtuosity.

Sadler's Wells Royal Ballet on tour

The Sadler's Wells Royal Ballet will tour later this autumn to Birmingham, Leeds, Southampton and Oxford following its season at Sadler's Wells (October 27-31).

Sponsored by Sainsbury's, the tour *will include* the world premiere of *Gloriana* by Michael Corder, based on the life of Queen Elizabeth I and set to music from Britten's opera, with designs by Philip Prowse.

Other ballets include Ashton's *La Fille mal gardee*, Petipa's *Paquita*, Graham Lustig's *Paramour* and Susan Crow's *Private City* as well as Corder's *Allegri Diversi*.

Strad Gala at the Barbican

A gala Stradivarius concert, marking the 250th anniversary of Stradivari's death will be held in the Barbican Hall on Wednesday December 2 in aid of the Royal Academy of Music's International Appeal.

At least 15 instruments made by the master will be played, including Manoug Parikian with his Amatise of 1681, Nigel Kennedy with the Cathedrale of around 1707, Zara Nelsove with the Marquis de Corboron cello and Robert Cohen on his *Bonjour cello*.

Members of the English Chamber Orchestra will also be loaned several fine Stradivarious violins and cellos for the occasion.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

October 9–15

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best *production for the National Theatre* he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi *Dench and Anthony* Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in *A View from the Bridge*; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Follies (*Shaftesbury*): *Stunning* revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, *improved book by James Goldman*. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling *yuppies*: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new *Alan Ayckbourn play* about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. Ayckbourn's own *production is led majestically* by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra in the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling *comedy has transferred from the* National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping *to fight suspicions* that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging *costumes*. (628 8795).

NEW YORK

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway *in the '30s incorporates gems* from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

Breaking the Code (*Eisenhower*: Derek Jacobi brings his role of Alan Turing to America. Ends Oct 31. Kennedy Center (254 3670).

Red Noses (Goodman): The American premiere of Peter Barnes' medieval vaudeville comedy pits Father Flote (Ivar Brogger) against the plague with his remedy of humour. Ends Oct 31. (443 3800).

TOKYO

Noh by Torchlight (takagi Noh). Ideal for the lovely cool *autumn evenings*, this threatre by firelight offers a rare chance to experience Noh in its original outdoor setting. The effect of strategically placed fire caskets around the darkened stage is perfect for its other-worldly atmosphere. Yoroboshi is about *a reconciliation* between a father and his banished son who becomes a beggar-priest, and is followed by the kyogen comic piece, Tsuto Yamabush. The pocket books A Guide to Noh and Guide to Kyogen (available at hotel bookshops), *give the plots*. Hibiya City Plaza, near Ginza. (Thur). (237 9999; 595 0295).

Saleroom/Antony Thorncroft

Snuff bottles go well

The Chinese snuff bottle fanatics, in London for their annual convention, seemed to *have plenty of money left yes*terday when Sotheby's disposed of the second part of the collection of Eric Young. It sold the first section in the spring for £303,457, and yesterday's auction added another £285,813, with less than 4 *per cent unsold*.

Moss, the London dealer, paid £23,100, well over the estimate, for a very rare shibayama decorated amber snuff bottle of the mid 19th century. A double overlay glass bottle of the early 19th century more than doubled its forecast at £12,100 and the same sum secured for a Hong *Kong dealer a carved and* enamelled bottle of the same period. The prices paid at auction this week for snuff suggested that there is a good demand, especially from Far Eastern collectors, for the finest examples but much less interest in the more mundane objects.

London has three days in which to admire Van Gogh's "Irises," which Sotheby's is to sell in New York on November 11. It will be on show in Sotheby's Bond Street premises on Sunday afternoon and Monday *and Tuesday next week*. Painted by Van Gogh in the asylum in Saint-Remy in May 1889, a year before his death, this famous picture has never been seen in the UK.

Sotheby's is hoping for a price *in excess of $20m for "Irises,"* which would make it the most expensive work of art ever sold at auction in the US. It is considered by many experts to be superior to "Sunflowers" which made £24.75m at Christie's in *London in March*. The health of the art market will be judged by the demand for this exceptional work.

London welcomes a new auction house on October 27 when Rosebery's holds its first sale. Started by two former Sotheby's executives Rosebery's will share premises with *Bloomsbury* Book Auctions in Hardwick Street, EC1. It will be offering works of art priced *from £30 upwards and will have* its sales on Tuesday evenings, with weekend viewing.

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Retreat from intervention

IN THE EIGHT years since the Thatcher government came to power, the Department of Industry has lost one of the largest empires in Whitehall but has had great difficulty finding a new role.

The policies of corporatism and interventionism practised by Conservative and Labour governments during the 1960s and 1970s, for which the department was a chosen instrument, have been replaced by a more market-based ideology, while the nationalised sector has been drastically pruned by privatisation. Those industries still directly under the department's tutelage, notably the Rover group, shipbuilding and steel, have remained in public ownership largely because no satisfactory private buyer has yet been found for them.

Successive secretaries of state have sought to redefine the department's responsibilities in the light of these changes. Sir Keith Joseph and Mr Patrick Jenkin strove to shift the balance of its spending away from declining sectors and towards expanding ones, notably electronics. Under Mr Norman Tebbit, its scope was expanded through a merger with the department of trade.

Direct support

The Big Bang in the City of London and the liberalisation of telecommunications have also endowed the department with new regulatory authority, in addition to its responsibility for competition policy. However, none of the past four secretaries of state has stayed in the job long enough to impose on the department a sense of direction and purpose.

That task will now fall to Lord Young - providing he is not whisked away to become chairman of the Conservative party. His stated objectives are to sweep away the last vestiges of interventionism in industry and to concentrate instead on improving the efficiency of markets. Where the department provides direct support to companies, its efforts will be channelled into promoting goals such as the application of modern technologies and management techniques, improved training and preparing for the single European market.

The department has already been moving in this direction. In the past few years. The emphasis of its spending on industry has shifted away from specific project support and towards broader applications and awareness schemes. There is undoubtedly more that it can usefully do to improve access to market information and encourage best practice, particularly among small firms.

Whether this new mission will be large and challenging enough to justify the department's existing budget and staff levels, as Lord Young believes, has yet to be proven. No ambitious politician, of course, willingly presides over the diminution of his own power base. Mr Tebbit, while at the DTI, flirted briefly with plans to turn it into a 'super-ministry' rivalling the Treasury in power.

Open trading

Lord Young is also temperamentally an activist, and his market-based prescriptions sit somewhat oddly with his other responsibilities for inner cities, which call for direct and specific government action. In a department long accustomed to regard intervention as its raison d'etre, the temptation to revert to type largely to keep civil servants busy may still be quite strong.

If the DTI is to demonstrate that its current size and weight are really justified, it can best do so by using them in Whitehall to further the case for competition. This can be done in a number of ways: by ensuring that merger and acquisitions policy is applied consistently in a pro-competitive direction, by attacking restrictive practices, particularly in the professions, and by vigorously promoting open trading policies in the European Community and in wider international negotiations.

Lord Young should also use his influence in Cabinet and Whitehall more generally to ensure that the government gives the priority to competition in the future privatisation of large state monopolies, notably the electricity industry. It is important that the mistakes made in privatising British Telecom and British Gas not be repeated. At the same time the Department's old sponsorship role, implying a protective attitude towards the industries and companies under its care, should continue to dwindle.

India's task in Sri Lanka

IT TOOK A while in July for the world to believe the unbelievable might really be happening in Sri Lanka. After years of violent racial conflict and thousands of deaths during the minority Tamils' guerrilla campaign for an independent homeland, the leaders of India and Sri Lanka agreed a peace accord.

The chances of the agreement working seemed slim but not hopeless; perhaps the fact that it represented a last chance for the various ethnic communities to avoid a catastrophic civil war would be just enough to tilt the island back to the tranquil and prosperous nation it once was.

In the event it was not enough. The accord, so far, has failed. July seems a long time ago and the daily reports from Sri Lanka are as full of violence and atrocity now as they were in the years leading up to the signing of the agreement by President Junius Jayawardene and Mr Rajiv Gandhi.

There is one crucial difference. Indian soldiers, brought in as a peacekeeping force, are now in the thick of the battles. Instead of the island's Hindu Tamil guerrillas and Buddhist Sinhalese soldiers fighting it out, Tamils are under fierce attack from (predominantly) Hindu Indians who have always previously been their protectors.

Major power

If they did not fully accept it before,the Tamils must be realising that making the Sri Lankan peace accord stick is a more important foreign policy objective for Mr Gandhi than continuing to justify and support Tamil violence.The Indians clearly feel the offer of a semi-autonomous Tamil region in the merged eastern and northern provinces is just, equitable and more than the Tamils would have achieved through a continued campaign of terror.

The rejection of the accord by the Tamil guerrillas and their continued fight for full independence have turned their Indian guardians against them with a vengeance. This week's offensive by thousands of Indian soldiers, reinforced by paratroops, tanks and helicopter gunships, in the Tamil strongholds in the northern Jaffna peninsula is tougher than anything the Tamils ever faced from the Sri Lankan army.

The Indo-Tamil battles put India and Sri Lanka into exceptionally difficult positions. Technically, the Indians are on foreign sovereign territory at the invitation of President Jayawardene. They cannot easily or realistically withdraw now. To do so would be an international humiliation for South Asia's major power, a defeat by a band of guerrillas for an Army only previously vanquished in recent times by the Chinese and a victory for terrorists which would unleash still more violence and counter-violence between the competing communities.

Peace accord

On the other hand the Indians will have to tread carefully.Too harsh a suppression of the Tamils could spark sympathy protests in the South Indian state of Tamil Nadu where 50m Tamils live, providing a large supply of arms and reinforcements for the Sri Lankan guerrillas. Too many Indian casualties could provoke domestic political protests in India and pressure on the Government to explain why it is spilling Indian blood on foreign soil.

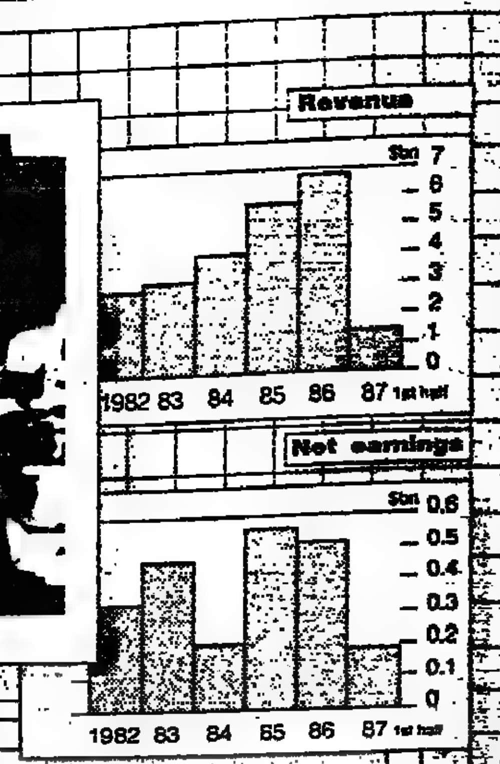
The Sri Lankan Government has staked everything on this peace accord including the acceptance of a foreign military presence and the sacrifice of some of its independence as a sovereign state; India demanded the ending of Sri Lankan links with Pakistan and Israeli advisers, for example. President Jayawardene's Government could not survive a terrorist victory now as opponents within and without his party are keenly aware.

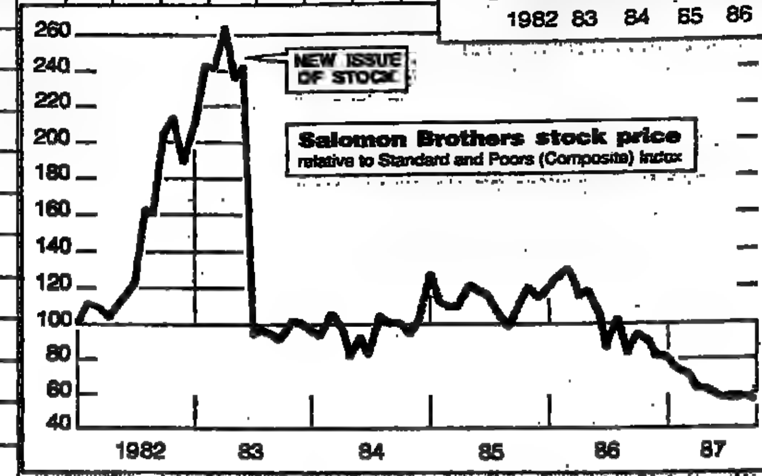
The peace accord was a brave, and valid risk. There seems no alternative but to pursue its goal even if that has to include, as now, a military strategy to try to contain terrorism. But a speedy resolution looks doubtful. Sectarian disputes around the world are continuing reminders that well armed and highly motivated insurgents can keep peace at bay for years and decades, no matter how many troops are poured in against them. The Indian Army probably faces a prolonged and debilitating sojourn in Sri Lanka.

Roderick Oram and James Buchan on the woes of Salomon Brothers

Into an impasse on Wall Street


John Gutfreund





IN 1981, WHEN Salomon Brothers passed into public ownership, its 62 partners received a pay-out of around $8m(£4.8m)each for their stakes. Six years later, almost half those fortunate men have left or been driven from the firm they helped turn from a small-time bond trader into the best-capitalised but most loosely run big investment house on Wall Street.

Other US securities firms have grown almost as fast.Goldman Sachs, First Boston and Morgan Stanley have more than doubled their payrolls since the worldwide explosion in financial assets started in 1982. Drexel Burnham Lambert has multiplied its capital eight-fold by exploiting an immense new market for high-yielding corporate securities known as junk bonds.

These firms have their management problems, ranging from losses on trading securities at First Boston to a dispiriting criminal investigation of Drexel Burnham's junk operation. Kidder Peabody, a middle-ranking firm, is experimenting uneasily with a mixture of bankers and grizzled professional managers from corporate America who have been imposed by its impatient owner, General Electric.

The ever-shrinking band of Wall Street bankers who remember the last cyclical decline in the industry in the late 1970s are thus watching the current turmoil in the stock and bond markets with trepidation.

But nowhere has management been under greater strain than at Salomon. Though the firm enjoys revenues of over $6bn, employs 6,500 people and regularly carries a $40bn trading book of securities, it is scarcely better equipped with management than it was in 1981.

Though Mr John Gutfreund (pronounced good friend), its domineering chairman, has created an 18-man board and appointed a chief financial officer, Salomon is still Salomon: a bond house run by the survivors of a fiercely competitive small circle of traders.

And it is not working. It is not simply that these traders occasionally miss their shots in key markets, though Salomon took a hit of about $100m on its trading book of municipal bonds when interest rates suddenly turned up at the end of March. Earnings are under steady pressure from the costs of Salomon's dash to protect market share in a trading environment that has gone global with a vengeance. Last year, Salomon's head count increased 40 per cent to staff large trading operations in London and Tokyo.

Despite the fanfares that attended this overseas expansion, the firm has signally failed to repeat its domestic success abroad. Earnings fell to just $40m in the second quarter to June - a paltry return on revenues of $1.4bn and stockholders' equity of $3.6bn. In the September trading quarter, Salomon made almost no money at all and its stock price has plunged. Now at $33 it is trading at just over half its peak and miles below the market averages. Takeover speculation has haunted the firm since Mr Gutfreund fended off an approach from Mr Ronald Perelman, a highly aggressive investor who is chairman of Revlon. A siege mentality is beginning to wear down the 120 or so managing directors who are Salomon's chief assets. In July, Mr Lewis Ranieri, a brilliant trader who helped develop the huge market in mortgage-backed securities for Salomon, was dismissed after a struggle of wills with Mr Gutfreund. Executive recruiters report an increase in the approaches from Salomon executives.

On Monday, Mr Gutfreund announced a bold plan to stem the decline and put Wall Street's largest firm back on course. The plan, which follows a three-month 'strategic review' which was painful even by Salomon's uncosy standards, attempts to do three things:

● Attack the firm's ballooning overhead costs. Salomon is cutting its workforce by 800 and will hold its staff levels at 5,700 until the end of 1988. The cuts will fall proportionately on low-margin US bond trading operations and the fledgling London offices, according to Mr Robert Salomon, a managing director.

This should cut out about $150m of overheads at the cost of a write-down of the value of the firm by $60-70m. Mr Bruce Carp, a member of the 18-strong board, will become a sort of cost-cutter-in-chief, reporting directly to Mr Gutfreund.

Wall Street also expects - indeed, hopes - that Salomon will forego a grandiose project for a $1.5bn headquarters on New York's Central Park. The vast tower, to be known as Columbus Center, is bitterly opposed by powerful residents on the Park, such as Mrs Jacqueline Onassis. 'They don't need that on top of everything,' says Mr Perrin Long, a leading analyst of Wall Street stocks at Lipper Analytical Services.

● Refocus the trading operations. Salomon will continue to develop its core business in government, corporate and mortgage-backed securities and to keep its mathematicians and 'rocket scientists' devising fancy new securities (such as rolled-up car loans) and hedging strategies. Salomon will also remain committed to the global trading of equities.

But the firm is pulling out of underwriting and trading municipal bonds, commercial paper and short-term bank liabilities. These markets have become increasingly unprofitable because of intense competition from commercial banks, whose staffing costs are much lower than those of Wall Street. Worst of all, the primary market for municipal bonds, which finance capital expenditures by US cities and towns, is down by as much as 30 per cent on last year because of limits placed by this year's Tax Reform Act.

● Strike a better business balance. Because of its historic bias towards trading, Salomon has fallen behind other firms in balancing trading and investment banking, where profit margins are much higher. Though Salomon remains the leader in underwriting US corporate debt, it ranked only sixth last year in advising companies on deals such as takeovers or restructurings.

Investment banking is still the most profitable business for Wall Street firms, but it can only get more competitive as powerful Japanese houses move in. Firms such as First Boston and Morgan Stanley, as well as Drexel Burnham, are already aggressive to a fault. So far, Salomon has found itself crowded out of corporate deal-making by firms which can deliver a ready-made market for junk bonds or actually commit their own capital - a business practice confusingly known in the US as 'merchant banking.' As part of Monday's plan, Salomon will place 'further emphasis on our merchant banking, restructuring, as well as other advisory, high margin, corporate finance businesses.' Wall Street responded favourably, and with some sympathy, to Mr Gutfreund's announcement. Analysts were impressed with the decision to abandon the municipal bond market, despite a commanding presence with some 10 per cent of all new issues. 'Salomon sees that it makes no sense to be the biggest and the best if you are not making any money,' says Ms Brenda Mccoy, an analyst at Paine Webber. 'We are seeing Wall Street firms that are no longer so market-share driven.'

But nagging questions remain. Salomon has tried to keep an informal management structure where innovation can prosper. 'It's easier to be creative if there aren't too many rules to break,' was a recent comment of Mr Thomas Strauss, who has replaced Mr Ranieri as the man most likely to succeed Mr Gutfreund at the top. 'You don't need a corporate handbook,' he said in February.

But there are many people - criminal investigators, congressmen and powerful newcomers to Wall Street such as GE - who do need a corporate handbook. 'There is something basically incompatible between the type of external environment which has allowed them to prosper and the realities of becoming multi-billion dollar financial institutions,' says Samuel Hayes, Professor of Investment Banking at the Harvard Business School.

And time is running out. The artificial protection provided for the industry by the Glass-Steagall Act could soon be removed. The Administration and even Mr Alan Greenspan, chairman of the Federal Reserve, increasingly favour repealing this relic of the 1930s, so as to permit commercial banks to underwrite corporate securities.

When that occurs Salomon's arrogance and its flair could seem beside the point. With its large capital base and its reservoir of skills the firm has "a shot at survival," says Professor Hayes. But, he adds:"I wouldn't make any predictions about any US institution surviving as an independent with the possible exception of Citibank."

'We know we can't do everything'

"WE SHOULD BE a little trimmer than we were," says Mr Tom Strauss, Salomon's president, who made a flying visit to London yesterday to explain his company's cuts to UK staff.

Sitting, jet-lagged, beside the huge new trading room which Salomon has constructed over Victoria Station (a contribution to Salomon's ballooning costs) he admitted that the strategic review had left the company "sombre and reflective." But he says: "Underlying that there is a strong sense that what we've done is right."

The main purpose of the review is to cut the headcount in areas of the market where Salomon sees fewer business opportunities, in order to concentrate more selectively on bonds, equities and merchant banking.

However, Mr Strauss reacted sharply to a suggestion that Salomon might be retreating from its earlier commitment to be a leading global player. "In a global financial environment - to think that anyone can do everything...we know we can't. But we're still committed to developing a strong worldwide investment banking capability."

Mr Strauss denies that the review was prompted either by Salomon's heavy trading losses last spring when it misjudged interest rate movements, or by the recent unwelcome approach from Mr Ronald Perelman, the corporate raider.

"This would have happened even in a bull market," he says. "This is not a sudden realisation that we have a problem. We have grown very quickly over the last seven years, and the time has come for a strategic reassessment. If we made a mistake, it was that we should have acted sooner."

Mr Strauss expects other Wall Street firms to make cuts before long. The combination of over-rapid expansion and inadequate management controls is common to many Wall Street houses, whose fortunes have constantly oscillated between feast and famine.

David Lascelles

Men and Matters

Chinese justice in Hong Kong

The process of localisation in Hong Kong's administration took a significant step forward yesterday when Mr Justice T.L.Yang was appointed to succeed Sir Denys Roberts as the territory's chief justice.

Hong Kong's legal system is an area of extreme political sensitivity in the decade leading up to China's resumption of sovereignty over the territory in 1997, making the long-established government commitment to localisation more than usually awkward.

The translation into Chinese of Hong Kong's common law, based on British law, and the possible introduction of proceedings in Chinese in the territory's lower courts, require a larger body of Chinese legal staff, but at the same time, the maintenance of expatriate lawyers in the judiciary is seen by many as a symbol of legal independence up to and after 1997.

The appointment is not a total surprise, since Yang stood in as acting chief justice when the ebullient Roberts took leave last year. Yang has spent 31 years in Hong Kong's judiciary, first becoming a magistrate in 1956. In May 1980, he was appointed to Hong Kong's court of appeal.

He will head a department that has lagged behind many in replacing expatriate staff with local Chinese. While departments like environmental services now employ just 12 expatriates out of a total workforce of 520, Hong Kong's judiciary and the attorney general's office are still dominated by expatriate judges and lawyers.

At present, less than one in four senior staff in the legal department are Chinese, while there are only 14 local crown counsel out of a total of 77. By comparison, Chinese outnumber expatriates in the government's directorate-level ranks for the first time this year. They total 521 out of a total of 997.

Fault does not necessarily lie with the government for this laggardliness. Most Chinese lawyers prefer to go into private practice in the territory, where earnings tend to be substantially higher than anything that can be offered by the government.

The recent spate of appointments of local Chinese to top government positions has clearly had a demoralising effect among expatriates in the territory, an increasing proportion of whom now work on short contracts rather than pensionable terms.

Controversy focused two weeks ago on the decision by Derek Murphy, the respected deputy head of Hong Kong's securities commission, to leave government service for a top job with Wardley Investment Services. Murphy cited the lack of promotion prospects inside government because of the localisation policy as the primary reason for the move.

Bush fighter

As George Bush starts his formal campaign to succeed Ronald Reagan in the White House he is trying to have the best of both worlds.

When he arrived in Chicago during Monday night's rush hour, local police blocked off the main highway into the city so that the Bush cavalcade - a dozen staff vehicles, an ambulance, two press buses and a phalanx ofpolice cars and motorcycle outriders - could make the 15-mile journey to the Hilton Towers hotel smoothly.

Richard Daley, the late mayor and legendary Democrat, whose control of the Cook county voting booths tipped the 1960 presidential election to John Kennedy, would have turned in his grave to see a Republican candidate treated so solicitously.

Yesterday morning, however, Bush set out to demonstrate that in spite of his privileged family background, the trappings that go with the vice-presidency, and the $14m he has raised already for next year's election, he is ready to 'mix and mingle' as his schedule described it.

Bright and early, there he was, standing at the Jefferson Park elevated railroad station in a dominantly Polish district of north-west Chicago, shaking hands with startled commuters on their way to work.

The television cameras were on hand, too, to make sure that as many voters as possible would catch his visit to the 'European Bakery' in the neighbouring bus station. Polish viewers will not have missed the bakery sign 'Spsrzedaz Art. Cukiernigzygh.'

Agency status

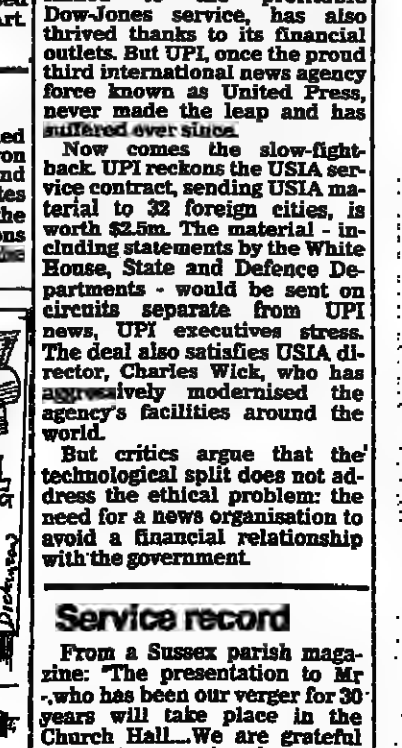
UPI, the financially troubled US wire service, which has won a contract to transmit news and features for the United States Information Agency (USIA), the goverment's public relations arm,no doubt pondered the Reuters precedent before seeking such a relationship.

Some 50 years ago, Reuters, the British-based news agency, found itself similarly strapped for money. Not only did it allow itself to be used as a channel for British "publicity" (the codeword for UK government propaganda overseas aimed at countering fascism), but its chief executive, Sir Roderick Jones, also successfully sought UK government subsidies. Disclosure of Jones's cosy relationship with the British government and the secret subsidies led to a furious boardroom row and ultimately to Jones's departure.

Today, Reuters is making handsome profits, thanks to its money-spinning financial services trading arm. AP, which is linked to the profitable Dow-Jones service, has also thrived thanks to its financial outlets. But UPI, once the proud third international news agency force known as United Press, never made the leap and has suffered ever since.

Now comes the slow-fightback. UPI reckons the USIA service contract, sending USIA material to 32 foreign cities, is worth $2.5m. The material - including statements by the White House, State and Defence Departments - would be sent on circuits separate from UPI news, UPI executives stress. The deal also satisfies USIA director, Charles Wick, who has aggressively modernised the agency's facilities around the world.

But critics argue that the technological split does not address the ethical problem: the need for a news organisation to avoid a financial relationship with the government.



"It's no good the inventor just saying he'll take his ideas abroad - he should threaten to write his memoirs."

Service record

From a Sussex parish magazine: "The presentation to Mr -,who has been our verger for 30 years will take place in the Church Hall...We are grateful for his long service,always carried out cheerfully,and with infinite tact."

A man,in other words, who minds his keys and pews.

Observer

Edward Mortimer on the latest round of the East-West debate

Giving Gorbachev a chance

Raising a glass: Mr Shultz (left) and Mr Shevardnadze in Moscow

HOW SHOULD the West respond to Gorbachev's challenge? Is he, in fact, challenging us, or merely responding to a Western challenge that has been on the table for some time? Should the more sophisticated and reasonable approach now adopted by Moscow in international diplomacy be regarded as an opportunity or a danger? Can the West 'help' Gorbachev? Is it in its interests to do so, and, if so, how? How much is really new in his 'new thinking'? What are his chances of success and, if he succeeds, what is the nature and extent of the change in the Soviet system we should expect to see?

All those questions were vigorously debated last weekend by a large gathering of politicians, officials and pundits from all the main Nato countries held at St Paul, Minnesota, by the Institute of East-West Security Studies. It was like a mass briefing for the expected Reagan-Gorbachev summit.

Why Minnesota? Because it is the home of Mr Whitney Macmillan, co-chairman both of the Institute itself and of the Task Force whose report on the implications of Soviet new thinking was the reason the conference was convened. Mr Macmillan is also chairman of Cargill Inc, the biggest privately-owned company in America. *Cargill is an international grain trading firm, and Minnesota is the heart of North America's grain belt.*

Not that grain-growers and traders are the only American businessmen with a strong interest in improved US-Soviet relations. Mr Donald Kendall, head of PepsiCo, told the conference that Moscow would be *obliged to expand its opening* for joint ventures with Western companies because this was the only way it could overcome its shortcomings in technology, quality control and marketing.

Within two years, Mr Kendall predicted, Gorbachev would be in 'very serious trouble' because there were no trained managers in the Soviet Union capable of taking the decisions that would be expected of them in the newly decentralised economic system, and therefore the benefits of reform would be very slow in coming.

The Soviet leader would then need a 'Western response to help him move forward,' and Mr Kendall hoped this would be forthcoming - 'a backward Soviet Union is not in our interest.'

He gave short shrift to a proposal from Senator Bill Bradley, the New Jersey Democrat, to make Soviet economic reform and cuts in military expenditure a criterion for Western bank lending. Mr Kendall said he saw no way of imposing such political controls on Western banks and that, in any case, it was 'not free enterprise.'

The conference and the Task Force report were clearly intended to move American policy towards a more positive approach to the Soviet Union. In this, the organisers received eager support from Hans-Dietrich Genscher, the West German Foreign Minister, who gave the opening keynote address, and from his Icelandic and Norwegian colleagues. They seem to have had some impact on the Reagan Administration since Mr John Whitehead, the Under Secretary of State, welcomed the report as evidence of a developing 'bipartisan' approach to the Soviet Union in the US - in effect, claiming that the Administration was already doing most of the things recommended.

The main discordant note was struck by the British and especially the French governments, each represented by the head of policy planning in its Foreign Ministry. The Frenchman, Mr Philippe Coste, while conceding that some elements in the new Soviet thinking might be good for the West, stressed that these did not include any move toward self-determination for the peoples of Eastern Europe - in his view the essential purpose of detente - and also that the insistence on nuclear disarmament could have very negative consequences for Western Europe, since 'the probability of conventional war is much greater than that of nuclear war.'

Mr Coste was clearly even more disturbed by Mr Genscher's speech than he was by the report of the Task Force (to which he and his British colleague had acted as 'special advisers'). He reacted strongly to Mr Genscher's remark that 'whoever takes the worst case scenario as the sole basis of his action, including his action vis-a-vis the Soviet Union, becomes a political dead weight,' and warned that Soviet efforts to remove the US nuclear presence from Western Europe might also open up 'a growing rift between France and Germany.' He urged the West 'not to play with nuclear deterrence in Europe,' and to make self-determination the main criterion in judging the 'newness' of Mr Gorbachev's thinking.

His British colleague, Mr David Gore-Booth, associated himself with these remarks, though he also endorsed the report's 'agenda for action' and said he very much hoped it would be implemented. The Europeans, he suggested, were 'both behind and in front' of the Americans, meaning that they were ahead in exploring the prospects for specific changes in Soviet policy - most notably in Eastern Europe and the Middle East - but behind in showing caution about their overall judgment. 'There is nothing in Gorbachev's shop window that we like,' he concluded bluntly, 'but a lot in ours that he likes. He must come towards us, not we towards him.'

Clearly he is coming towards us on a number of policy issues. While the French Government views this with some alarm, fearing that its allies will give in too easily to his blandishments, the response of the British and American governments so far has been, in essence, 'fine - let him keep on coming.' But many influential Americans clearly share the German and Scandinavian view that the West should 'meet him halfway,' or should seek, in Mr Genscher's words, 'political dialogue and co-operation between West and East in business, science, technology and environment protection,' leading to 'ever more joint action for the future of mankind.'

One of the most thoughtful speeches to the conference came from Dr Robert Legvold, a Sovietologist from Columbia University. He felt that other speakers were too timid in judging the changes actually taking place in the Soviet Union now, and yet unrealistic in some of their expectations for the future.

The forces for change, he argued, go much deeper than the mere personality of Mikhail Gorbachev. What had happened was that the country had outgrown both the Stalinist economic order - which was unable to make the transition from 'extensive' to 'intensive' growth - and the Stalinist social order, based on a highly regimented but passive industrial working class and a bureaucratised elite. This had been replaced by an educated urban middle class which had grown very rapidly since the 1950s.

The result was a growing recognition of conflicting interests in society, a shift away from the notion of a single truth towards the recognition of diversity of opinions as necessary and useful and the death of the Utopian belief in social engineering. All of this meant a change which would go ahead with or without Gorbachev, even if less boldly than at present.

But, said Dr Legvold, what we should not expect was a change in the basic character of the Soviet political system. The two superpowers were, and would remain, completely opposite in their fundamental aspirations. While the dominant American fear is of excessive authority at the centre, the historic Russian fear is that the centre might lose control. The Russian word for spontaneity, he said, always carries a pejorative connotation, thus it was a complete mistake to suppose that Gorbachev would try to introduce American liberal values into Russia. What he was aiming to recreate was 'efficient central direction' (Leninism) by abolishing 'intrusive central direction' (Stalinism).

From this analysis an important practical conclusion was drawn by Mr William Colby, head of the CIA under President Nixon. If it is true that we cannot expect too much in the long term, he said, it is all the more important not to miss the opportunities offered by Gorbachev in the short term. We should 'lock up agreements as fast as we can to prevent future crises.' The Soviet system had often changed tack in foreign policy, but had shown itself to be very reluctant to back out of formal treaty commitments.

If that is right, the west should not be too dilatory about taking Mr Gorbachev up on the various negotiations he is offering. We do not know how long he will survive, but we can at least try to reach some agreements that will be binding on his successors.

Japan's stock market

This time the turning point has been reached

By George Soros

THE JAPANESE stock market is following a classic boom/bust pattern. Many of the major players know that the boom is unsustainable, yet they feel they must continue playing. A turning point is imminent.

At the beginning of 1986, the boom started to falter because of the rising value of the yen. The impact on corporate earnings and economic activity was negative. *Under the same influence*, the West German stock market entered a phase of prolonged consolidation; but in Japan the upward trend accelerated sharply. The driving force was *liquidity*.

Liquidity can be broken down into three main components: inflows from abroad, bank lending and domestic savings. The first did not contribute directly to the boom. Foreign investment in the Japanese stock market diminished as stocks became overvalued, so that the stock market became almost a domestic affair.

Bank lending inside Japan accelerated to an annual rate in excess of 15 per cent, although commercial and industrial loan demand abated as a result of the recession. The growth of money supply accelerated to 11 per cent. The bulk of the new loans went into financial and land speculation, giving rise to the phenomenon of *zaitek*, or "financial technology" to boost declining profits with the proceeds of financial speculation.

The domestic savings rate was greatly influenced by the land boom. When the price of housing *rises* more rapidly than wages, people have to save a larger portion of their earnings to make a down payment. On the other side, when someone sells property, the proceeds also *swell the volume of savings*. Thus the land boom had the perverse effect of increasing savings and depressing domestic activity.

Under this self-reinforcing process, both land and stock prices lost contact with reality. Nippon Telephone and Telegraph (NTT) is priced at more than 300 times earnings and a tennis court in the Tokyo area is worth $10m (£6m). If expectations of further price increases are not fulfilled, a downward revision will touch off a self-reinforcing process in the opposite direction.

Why did the authorities allow the situation to get out of hand? Partly because of external pressures - the US ill-advisedly insisted that Japan lower its interest rates in order to protect the dollar. Partly because of the goals of the Japanese establishment, which wants Japan to become number one in the world, but fears the Japanese will go soft through increased spending before they get there.

But perhaps the most important factor is the institutional role that the authorities play in the economy. They are used to *managing it, not regulating it*. This is particularly true of their relationship with the banking system. The stock and bond markets are also managed to a greater extent than in any other developed country. Growing international influences have rendered the task of managing the economy more complex.

Resistance to the land and credit boom has intensified. Domestically, the rise in housing costs and the widening gap between the haves and have-nots has become highly unpopular - the opposition Social Democrat Party is gaining ground. Internationally, central banks have been pressing for co-ordination of banking regulations and agreement has been reached.

Excesses tend to be felt when they are being corrected

The authorities have begun to take corrective steps: the growth of bank lending is being restricted through "window guidance"; tokkin funds have been obliged to publish their unrealised losses since September 30 *and will have to offset* them against realised gains before paying dividends as of March 31 next year; commercial banks will have to reduce their balance sheets or increase their *capital base to conform to international standards*.

Excesses usually make themselves felt when they are being corrected. That is the case now.

All three sources of liquidity are beginning to dry up. International exchange rates have stabilised, domestic credit expansion is abating and even the savings rate can be expected to decline as housing sales rise and consumption picks up. Tokkin funds and mutual funds, the two main sources of institutional demand for stocks since 1985, topped out in July.

At the same time, the supply of shares is rising sharply. The giant second tranche of the NTT privatisation issue equals in size the entire volume of new issues last year: and commercial banks will have to raise large amounts of additional capital. The demand/supply balance for stocks is shifting radically.

There have been two occasions since the beginning of *1986 when the stock market underwent* a correction: September 1986 and July of this year. Both were short and shallow, reinforcing the belief that the bull market is invincible; both coincided with a period of stable or declining yen.

This time, exchange rate stability has been accompanied by a collapse in the bond market: the yield on the benchmark Coupon 89 rose from 2.6 per cent to more than 6 per cent. The collapse has revealed considerable speculative excesses. Large long positions in September futures could not be sold and the holders had to take delivery. A number of weaker players are in financial difficulties. Yet the stock market continues to flirt with new highs.

Continuing strength of the stock market is ominous because it implies that it may no longer be able to tolerate even a modest correction. The NTT issue is scheduled for November 9 and it is customary to stabilise markets in connection with new issues. This is achieved through a network of mutual obligations, involving practices which have been outlawed in other countries, notably the US, because they led to the crash of 1929. Should some parties be unable to live up to their obligations, the system could break down with every participant *running to save himself*.

The shift in the demand/supply balance can be restricted for a while by using up cash reserves. But unrealised losses are mounting not only in bonds but also in asset-related and financial stocks, which have fallen by about one third from their recent highs - and the unrealised losses will become real at the end of March 1988.

The rise in Japanese interest rates has already affected the bond and stock markets of other countries. It is difficult to see how the Japanese land and stock market boom can continue. A bust is looming.

The author is president of Soros Fund Management in New York and author of The Alchemy of Finance.

Letters to the Editor

Pan-European mergers

From Mr S Crossick.

Sir,- In view of the opening premise of your leader of October 8 that "few people would dispute that (the European Community) will need a firm and coherent competition policy tailored to the dimensions of a single market", many may be surprised at its conclusion that "the need for a fully-fledged EC merger policy is unlikely to become pressing before 1992, and possibly later". May I suggest three key fallacies that vitiate the reasoning that leads you to this result.

There is a grave danger (to which you, as well as others who should know better, have succumbed) that, in looking towards the completion of the internal barriers to trade within the EC, the fact may be overlooked that we already have a common market, not just as a legal concept but, in many areas, also as an economic reality. In *numerous sectors of industry* and commerce, companies already operate on a European and not just a national scale. Trade between Member States has grown several-fold since 1973. Of course, national barriers remain which, if removed, will increase economic interpenetration still further; but that is no reason for concluding that the economic consequences of mergers of companies that operate throughout the Community need only to be assessed at national level, and not from the viewpoint of the Community as a whole.

Even in the areas where significant national barriers remain (eg telecommunications) it is fallacious to think that there is therefore no need to consider mergers now from a Community perspective. When the barriers finally fall (as they will), Europe needs to have already in place an industrial structure that can quickly take advantage of these increased opportunities, both in Europe and internationally. We cannot afford to postpone the necessary rationalisation until then. Competition policy is not only a vital tool in completing the internal market but is also, as the EEC Treaty recognises, essential in promoting European economic growth.

The issue of whether the Commission "is *institutionally* well-equipped to apply such powers in a consistent and even-handed manner" is logically irrelevant to the issue of whether *merger policy* needs now to be set at Community, rather than purely national, level. In any event, whether the problem is one of resources, or of organisation of procedures, the Council has the legislative means available to ensure that any Community mergers policy is applied by the Commission consistently, even-handedly and with sufficient speed.

At present, a pan-European merger will often have to satisfy the *national authorities* of several member states, with each authority examining the consequences solely from the viewpoint of its own strictly national perspective; and any one of them being, in effect, in a position to kill the whole merger, however favourably it may be regarded by the other member states involved. Not one authority looks dispassionately at the overall benefits or detriments of the merger from the perspective of the Community as a whole. In the Single European Act, we have now largely departed from the concept of individual vetoes by single member states, and moved towards a common perception of the Community interest. Is it really too soon to extend this approach to *the field of merger policy?*

It is perhaps, as surprising to accuse Commissioner Sutherland of "rushing the fences" in relation to a proposal that has now been before the Council for over 14 years, *as it is naive to* suggest, in the light of past experience, that the next five years could be used successfully to "nudge governments towards a consensus".

Stanley Crossick,
Belmont European Community Law Office,
118-128 Avenue de Cortenbergh Bte 6,
1040 Brussels.

What the City pays

From Mr G Simon.

Sir,- Mr Michael Prowse writing in the Lombard column (October 9) seems to have got rather cross in writing about the City executive who is said to *have earned more than £2.5m* last year.

After comparisons between hospital orderlies and heart surgeons he comments that a long period of training is not necessary for high City pay because "City executives, who often have indifferent academic records, start earning huge salaries at a very early age".

Perhaps Mr Prowse has not heard of golfers, pop stars and tennis players all of whom can earn sums of money which make the City executive seem modestly paid. Do these sportsmen/pop stars have wonderful academic records? If the vocabulary of some of them, eg Mr McEnroe, is any yardstick by which to judge, it would seem that their academic *achievements* may be pretty limited.

In considering City salaries purely from the market point of view Mr Prowse seems to have forgotten that there are a limited number of people capable of doing certain jobs. Increasing their pay does *not generate* a larger number of talented people. In the Victorian age it was the barristers who were very highly paid. For example, in 1899 Sir John Simon earned, after tax, just under £20,000. A few years earlier Anton Rubinstein is said to have earned $60,000 in a four month tour playing the piano in the United States. Perhaps Mr Prowse could tell us the modern equivalent of such enormous sums.

All this suggests that it is not really necessary for Mr Prowse to refer to "economic textbooks packed with rationales for big pay differentials". Some people get paid more than others because they can do things which others, no matter what their academic record, cannot do. This is nothing to do with "chronic market failure" or with "indifferent academic records" - it is to so with having a skill which is both sufficiently rare and in demand for other people to pay *handsome sums of money to* have the benefit of it.

G M Simon,
Manor House,
Aston Magna,
Nr Moreton-in-Marsh, Glos.

Remuneration of journalists

From Mr R Snaith

Sir,- *May* I suggest that Michael Prowse (Why the City pays too much, October 9) extends his analysis and thinly veiled moral indignation to the subject of the remuneration of staff journalists on national newspapers. I feel sure his employers could find a way of expressing their gratitude without compromising his social conscience.

R W Snaith,
11 Regal Lane NW1.

Electricity prices

From Mr N Cunningham

Sir, - I noted the article 'Electricity price may be raised' (October 9) and your leader 'Price discipline in electricity'. The implications of Mr Parkinson's instructions to the electricity supply industry seem to be that prices must be raised to improve profits to acceptable levels while financing a £44bn plant construtlon programme over 20 years. His justification seems to be that this new capacity is required and present pricing *will not permit this plant to be built*.

There are numerous objections to this, the first of which is that under any circumstances the figure of £44bn quoted is far too high. Even if one takes the ESI's own adopted medium peak demand forecast (traditionally too high but that is a matter for debate) and extrapolates it to the end of the century and takes the worst case scenario for plant closures and the poor performance of AGR nuclear stations, then one can come up with a figure of 25Gw new capacity required by the end of the century. This implies a cost which is half that of the £44bn mentioned. A lower demand growth estimate (of 1% rather than the ESI's 1.4%) and an assumption that smaller fos*sil plant (units of 120Mw or so)* could be refurbished rather than closed down yields a plant requirement of under 5Gw by 2001. This substantial range only indicates the sensitivity of such long term forecasts to the smallest change in underlying assumptions. Other factors that could reduce the estimated requirement (and there are few that could increase it) are demand management, either by peak lopping by time of day tariffs and greater use of interruptible supplies, or by reduction of overall demand growth by encouraging energy conservation measures. These are generally more attractive in investment terms than new plant building. Particularly important to current estimates of demand growth is the unexpectedly high growth that has come from the service sector. This may be a short run effect and it has also been pointed out that this sector is particularly well suited to energy saving programmes. It seems to be very peculiar that Mr Parkinson should use exaggerated forecasts of plant requirements based on very fragile assumptions stretching out *for twenty years*.

Given that there are lower cost alternatives to new plant building which could displace all or part of Mr Parkinson's 20 year programme it is difficult to see why a *privatised industry* would sustain the programme after privatisation in 1992. In this case the benefits of price increases would be seen in improved margins for the generating companies and this would be reflected in their valuation at the time of privatisation. If prices are increased then it will be hard to avoid the conclusion that the ESI is *merely being fattened* for slaughter and that the pretext of the need for new plant is merely a cosmetic device. One of the principal justifications of privatisation is that it introduces competition to state monopolies and thus brings better service and lower prices. This should apply in the case of the ESI where the CEGB *has a particularly poor record* in terms of cost control and efficiency. Any substantial price increase to facilitate privatisation at once removes one of the main reasons for carrying it out. There is a danger then that the privatisation will merely be seen as a cynical money raising exercise.

Nick Cunningham
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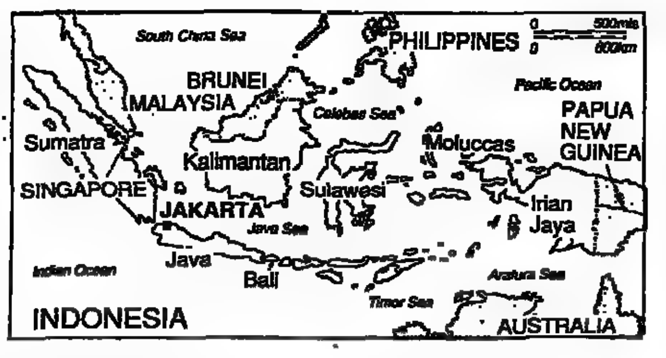
FINANCIAL TIMES

Wednesday October 14 1987

John Madeley reports on a resettlement scheme that went wrong

Migrants in struggle for survival



GITO SUWARKO, an Indonesian farmer, has waited six years for most of the land promised him under his Government's transmigration programme. Formerly a landless peasant in heavily-populated Java, Suwarko is one of over 4m people who have already migrated to the country's less populated islands under the world's largest resettlement scheme.

At Suwarko's new home in a remote village in Sumatra he was given a basic house surrounded by a hectare of land. Another two hectares just under a mile away should in theory have been his.

In practice, however, it has taken the Government six years to transfer the traditional land rights of the area to Suwarko. Using a cow supplied under the project run by the Rome-based International Fund for Agricultural Development (IFAD), Suwarko next month will plough his new land and plant soya bean to supplement the rice he grows on his homestead which has just about kept his family alive. His hope is to become a transmigrant who made it.

Under Indonesia's transmigration scheme, the Government plans to resettle 65m people over the next 20 years. Its primary aim is to relieve the congestion on Java - an island smaller than England - which accounts for 60per cent of the country's 171.6m people but only 7 per cent of Indonesia's land area.

But the scheme is now in trouble and the Government of President Suharto has scaled down its ambitions massively and changed the emphasis of the whole transmigration programme.

The programme has come under increasing criticism from human rights and environmental groups both within Indonesia and abroad for destroying vast areas of rain forest and undermining the culture and integrity of tribal minorities on outlying islands.

The World Bank, which has contributed more than $500m, has also come in for criticism for disregarding the effects of the programme.

For 1987/1988 Indonesia has allocated 111bn rupiah ($65m) to a programme which in 1985-1986 received 581bn rupiah.

Lower export revenues from oil plus growing foreign debt are responsible for the cuts but it seems that the Government has seized on its more precarious economic situation to give transmigration a breathing space.

The scheme is hardly achieving its chief objective of limiting population in the islands of Java, Bali, Madura and Lombok. Furthermore, it is now clear that a chronicle of disasters has surrounded the programme. Some 80 per cent of transmigrants have been moved to forest areas on the islands of Sumatra, Kalimantan, Sulawesi and Irian Jaya.

Houses were constructed and settlers were given as much as a hectare of land round the house and between one to four hectares in their village. But the soil has often proved too fragile for crops.

"People were moved to cleared forest and expected to grow crops," said a UN official, "and in many areas it just has not worked."

A government report revealed that one third of families were living on transmigration sites which were ecologically incapable of sustaining them.

Much of the top soil was removed when forests were mechanically cleared. Some soil was thick peat. Many areas are at a remote distance from markets. Bureaucratic delays and lack of farm tools have added to problems which have led to between 15 and 20 per cent of transmigrants returning home.

Some of the more fortunate have received help under the $40m IFAD Small Holder Cattle Development Project which has distributed 56,000 cows, enabling many transmigrants to plough twice as much of their land.

The farmer pays back two calves within five years, which are then distributed to other transmigrants. But only one in 10 of the new settlers in Sumatra have received cattle and most are struggling to survive.

Dr Emil Salim, Minister of State for Population and Environment, said this week that it was essential to "improve the quality of transmigration" and learn from the mistakes of the past.

He stressed that government emphasis was on family planning, more intensive agriculture and on additional industry and services, all of which would make transmigration less necessary. Family planning, he said, was the chief strategy to halt Java's population growth, "but it is not realistic to believe that it can fall sharply from the present growth rate of 2 per cent a year."

Transmigration will now continue at a sharply reduced rate and in a different form. Between April 1979 and March 1984 transmigration was running at the rate of 60,000 families a year. This increased from April 1984 to March 1987 to just under 80,000.

This year and next, only about 10,000 families a year will move. "It's a reduction that's a great relief to all of us," said a worker on the scheme.

Sources believe that the number of transmigrants who move under the Government's official programme is unlikely to exceed 25,000 families a year in the 1990s. But more emphasis is now being placed on the rural developments of the outer islands in the hope that Java people will spontaneously migrate.

World Bank funding for the 1989-1994 stage of the project is to be cut back sharply from $160m to $95m. Most of the drop is because less money is needed for site preparation. "There are project sites identified for 20 years ahead," said a bank official.

But environmentalists worry that these sites cover up to 30m hectares of forest land and come on top of the 5m hectares already axed for the transmigrants.

"I am not happy about it," admitted Dr Salim, "but I don't see any alternative. The West can't criticise us for axing forests if it doesn't buy more manufactured goods from us. If we can't diversify from agriculture we need new land."

While many unresolved tensions remain, the Government hopes that increased outer island development will increase the numbers who move voluntarily from Java. This might not only be cheaper - the transmigration programme has already cost the Government more than $7bn - it could also prove a more workable solution.

John Madeley is editor and publisher of International Agricultural Development.

Mr Robin Leigh-Pemberton: deplored putting banks "in play"

UK central bank to vet control of clearers

By David Lascelles, Banking Editor, in London

THE Bank of England is to use its powers under the new Banking Act to prevent the takeover of large UK clearing banks by industrial and commercial companies, and by institutions from overseas. But smaller banks may not be able to count on the same degree of protection as before.

This was made clear last night by Mr Robin Leigh-Pemberton, the Governor, in a major statement of policy which was designed to clarify the position of banks under the new regulatory regime. The statement also comes at a time of unprecedented speculation about takeovers, particularly among merchant banks.

The Governor's speech was considered by the Bank to be sufficiently market-sensitive to warrant an unusually strict embargo on copies circulated before the close of the stock market yesterday afternoon.

Under the new act, prospective controllers of banks must undergo a "fit and proper" test before the Bank of England will authorise them to accept deposits from the public. The Governor, who was addressing a Chamber of Commerce banquet in Northern Ireland, said the Bank should not be faint-hearted in applying this test because of the importance of confidence to the soundness of the banking system.

He said he would need "some persuading" before allowing an industrial or commercial company to take control of a bank, particularly a clearer, because of conflicts of interest and the danger of contagion if the parent got into trouble.

As for foreign controllers, the Governor said that UK banks could benefit from an association with an overseas owner who could expand its markets and bring new capital. But he believed that there must be a strong and continuing British presence in the UK banking system.

"It runs counter to common sense to argue that the openness of the London market must be carried to the point where control of the core of our financial system - the payments system, the supply of credit - may pass into the hands of institutions whose business aims and national interest lie elsewhere."

Mr Leigh-Pemberton also deplored the practice by speculators of putting banks "in play." He warned: "There can be sound prudential grounds for our intervening in such cases, and the new act gives us the necessary powers to do so when we judge that the interests of depositors are at risk."

The Governor's remarks imply an advance of Bank thinking since the days when banks were viewed as a protected species. Although his speech was carefully worded to allow a case-by-case approach, he appeared to be narrowing the Bank's concerns to control of the large clearing banks because of their vital role in the economy. There would be fewer objections to changes in ownership of smaller banks and merchant banks.

His position was foreshadowed by the Bank's approval of last July's attempted takeover by Union Bank of Switzerland of merchant bank Hill Samuel, and the acquisition of the Clydesdale Bank, a small clearer, by National Bank of Australia. However, it would imply disapproval of any attempt by Hanson Trust, the industrial conglomerate, to increase its 6 per cent stake in Midland Bank.

Details, Page 6

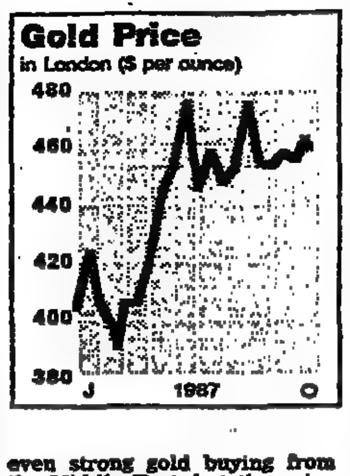
THE LEX COLUMN

Keeping banking in the family

Is it just a coincidence that the Governor of the Bank of England is a former chairman of a London clearing bank, and that the current chairman of Midland Bank is a former deputy governor of the Bank of England? It may well be, but the Governor's thoughts on the ownership of UK banks will be music in the ears of the big London clearing banks, and Midland Bank in particular.

It had always been expected that there would be a further shakeout in the ownership of UK financial institutions in the aftermath of Big Bang. But it is clear that the authorities now fear that the persistent and often unfounded takeover speculation, which has buoyed up the shares of banks ranging from Kleinwort Benson to Midland and Standard Chartered, is getting out of hand. Consequently, the Governor's clear and simple explanation of the Bank's thinking on the subject of the control of UK banks should be welcomed by the markets, even though it may not be to the liking of Saatchi & Saatchi and some of the other ambitious entrants into the UK financial services industry.

The Governor has made it very clear that banks "are different" and he has no time for investors who put banks "in play" by taking big positions for quick investment gains. While there will be a considerable amount of sympathy with his view, the indication that the independence of the Big Four London clearing banks should be preserved is more controversial. However good a manager Hanson Trust may be, for example, the Governor has indicated that he does not think industrial companies should be allowed to own banks at the heart of the financial system. By the same token he also indicates that, while he welcomes foreign acquisitions of UK banks, control of the core of the financial system should remain in British hands. This sort of statement will hardly encourage the Japanese to speed up the liberalisation of their own markets.



Gold

Despite the impressive performance of the gold price since February, many gold-watchers are suffering a creeping sense of unease. Their commodity is no longer responding to the usual stimuli. The past three months have brought a sharp reversal in bond markets, continuing dollar weakness, escalating inflationary anxieties and even strong gold buying from the Middle East, but the price has barely budged.

The explanation that the technology of extraction and the gold price surge of the 1970s have combined to boost supply, and thus cap the price, has some merit. But it takes too fundamental a view of this most cerebral commodity, and fails to explain the near $100 rise over the past year. More convincing is the argument that speculators have less to play with because mainstream investors now have so many alternative hedges, such as futures and options, to protect them from the excesses of financial asset markets.

Taking the longer view, the market lacks the driving force of 1973-1983 provided by the oil price inflation and related Middle Eastern purchasing power. It may also be that, having been undervalued at $35 and then crazily overvalued at $850, gold is now settling into a rather more permanent $400 to $500 range. The greater price stability could also be both a stimulant and consequence of the renewed interest in gold as a monetary anchor. Indeed if some of the comments coming out of the Federal Reserve are to be believed the US already has a gold price policy of $450.

Extel survey

The annual Extel survey of stockbroking research is always rivetting for the analysts themselves, but this year it alsoprovides a first glimpse of the state of investment analysis after the Big Bang. The most striking finding is the sharp rise in the rankings of two firms with a kernel of ex-jobbers, Barclays de Zoete Wedd and Warburg. Both incorporate broking firms whose research departments in the old days were respectable rather than top rank, but have now overtaken the old top-ranking research houses such as Phillips & Drew and Scrimgeour. The future, it seems, belongs to the market makers.

The obvious exception is James Capel, still top of the rankings and the only house whose research is rated "very good" by fund managers. But given its unique position as a large-scale agency broker, it badly needs to keep that lead. If institutions are coming to distrust the impartiality of research from market-making firms, they are not voting that way. Capel's lead this year is its narrowest for five years. It is still open to Capel, of course, to add market-making to its range, but these figures suggest that it is easier to tack research on to market making than the other way round.

At the other end of the scale, four brokers rated as downright poor this year, three more than last year. It is interesting that all those three are now owned by overseas banks; trust the City to see a foreigner coming. But on the other hand, the number one analysts in chemicals and conglomerates, and the number three in banks, are no longer with their old employers, but are headed for Morgan Stanley. After the recent experiences of Salomon and others, it is nice to see an American bank still taking on staff.

Regional brewers

Shares in regional brewers are on the move again. This week's bid for Boddington, coming on top of the contested bid for Matthew Brown and the agreed purchase of Buckley, had the effect yesterday of pushing up other brewers such as Greene King and Vaux, the former by 8 per cent.

The logic, such as it is, seems to rest on two propositions: that the Monopolies Commission is likely to rule against the brewing tie next year, and that the so-called Whitbread umbrella - the protective holding in a number of small brewers by the Whitbread Investment Company - is about to weaken. Some regional brewers would be vulnerable were they obliged to sellother beers, but others might even benefit from pushing their brands through rival pubs. And although Whitbread went along with the agreed bid for Buckley, there is no evidence that it has abandoned its protective role.

Salomon to cut 150 jobs at London operations

By David Lascelles in London

ONE hundred and fifty jobs will be cut from Salomon's London operations as a result of the major strategic review announced by the Wall Street investment house, Mr Tom Strauss, the company's president, said yesterday.

Mr Strauss, who had flown in overnight to break the news to the London staff, said Salomon had concluded that "a modest contraction" was necessary after several years of rapid growth.

The UK staff cuts would be across the board, including both front and back office personnel. But the London operation would also be affected by Salomon's decision to withdraw from the Eurocommercial paper and certificate of deposit markets. Altogether, Salomon has said it intends to shed 800 people from its worldwide workforce of 6,500.

Mr Strauss denied that the strategic review had been prompted by Salomon's recent trading or losses or the unwelcome approach from Mr Ronald Perelman, the corporate raider who says he may buy 25 per cent of the group.

He said the London market was "overbanked." But he predicted that Salomon would continue to thrive by concentrating on equities and bond dealing, as well as futures and options. He also said Salomon would remain in the UK gilt-edged market where it is one of the 26 officially recognised primary dealers.

Salomon's staff cuts bring to 470 the jobs shed in London by US financial institutions in the past four weeks. Shearson Lehman, another investment bank, dismissed 150 people, and Chemical Bank, the fourth largest bank in the US, announced 170 redundancies earlier this week.

The cutbacks are a reflection of the growing cost pressures on US banks and investment houses as profits

Impasse on Wall St, Page 26

EC expected to unveil plans for internal 'fraud squad'

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission is today expected to unveil plans to set up its own internal "fraud squad." The proposed measures are spelt out in a new report that discloses that the Commission has recently identified 3,000 cases of fraud in agriculture throughout the EC.

The new unit, which will consist of 10 people working closely with experts in individual departments, will co-ordinate the Commission's fight against fraud on a wide variety of fronts, including farm spending, the collection of customs duties and import levies, and the allocation of the EC's Social and Regional Funds.

The recommendations have been drawn up in response to growing pressure from the European Parliament and the Court of Auditors, the Community's financial watchdog, for the Commission to do more to prevent irregularities in the EC budget.

The report, which will almost certainly be formally adopted at a meeting today of the 17-man Commission, points out that "the idea that European integration has increased the possibilities for growing rich on fraud and that the Community institutions are not effective enough in fighting these abuses has taken root not only in Parliament but also in the media and public opinion".

The Commission document does not attempt to quantify the level of financial fraud, except to comment that "there is no verifiable source to justify claims that they amount to 10 per cent or even more" (of the budget). It also discloses that the Commission's computerised information system on frauds (Irene) now covers over 3,000 cases of fraud in agriculture and is designed ultimately to record and handle all cases of fraud brought to the Commission's notice.

The Commission's main concern at the moment is understood to be in areas other than agriculture, where it feels it lacks the resources and powers to carry out its job effectively. The new policy rests essentially on a twin track approach of setting up the new co-ordination unit but retaining a decentralised structure through the reinforcement of anti-fraud "cells" in each department.

The Commission rejects criticisms that it has been failing in its duty since a large part of the responsibility for controls and checks (notably in agriculture and collecting own resources) lies with national authorities rather than Brussels.

"At a secondary level the Commission's role is one of control, stimulus, co-ordination and reinforcement; it cannot take over the everyday operations of the member states which have thousands of officials and the necessary powers," the document says.

M'Bow still leads Unesco vote

BY PAUL BETTS IN PARIS

MR AMADOU Mahtar M'Bow, the controversial director general of Unesco, the United Nations Educational, Scientific and Cultural Organisation, was still ahead in the third round of voting by the Unesco executive board yesterday.

But Mr M'Bow again failed to secure the necessary absolute majority to secure renomination for a third consecutive term as director general.

Mr M'Bow yesterday increased his score from 18 votes in the second round last Friday to 23 votes last night. This was three votes short of the absolute majority of 26 out of the 50 executive board votes.

Last night's result is a setback for the agency's director general and his supporters because Mr M'Bow had hoped to gain the necessary votes to win an absolute majority yesterday following the withdrawal of Mr Yaqub Khan, the Pakistan Foreign Minister and his main challenger in the first two rounds.

Mr Federico Mayor of Spain also improved his score last night doubling the nine votes he gained last Friday to 18 votes. He has now emerged as Mr M'Bow's most serious contender for the director general's post.

A fourth round of voting will take place tonight. If after this round no absolute majority is secured by one of the candidates, a fifth round of voting will decide the contest with the two candidates with the highest scores competing in the final runnoff.

Continued from Page 1

Former Guinness chief denies charges

returned to him to enable him to visit his wife in Switzerland or for travel purposes.

He has to give the police 48 hours notice of the time and date of travel, his destination and the purpose of his journey, and the date of his return. He has to surrender his passport again within 24 hours of his return.

Mr Saunders had intended yesterday to visit his wife who, he said, was still extremely ill. But on Monday police refused to give him his passport because further charges were pending.

Mr Saunders, who was accompanied to court by his daughter, Jo, and James, one of his two sons, said that he vigorously denied all the charges.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	27	70	Dubrovnik	C	18	64	Malta	F	23	73	Rhodes	S	27	81
Algiers	F	23	73	Edinburgh	S	10	50	Manchester	F	11	52	Rio de J'o	R	35	95
Amsterdam	C	12	54	Faro	F	21	70	Manila	C	33	91	Rome	F	21	70
Athens	S	23	73	Florence	F	19	66	Melbourne	S	15	59	Salzburg	F	15	59
Bahrain	S	32	89	Frankfurt	C	10	50	Mexico City	S	24	75	San Francisco	S	20	68
Bangkok	C	32	90	Funchal	F	23	73	Miami	S	29	85	Seoul	C	19	66
Barcelona	F	20	68	Geneva	S	14	57	Milan	S	16	61	Singapore	F	29	84
Beirut	C	24	75	Gibraltar	S	22	72	Montreal	S	10	50	Stockholm	C	9	48
Belfast	R	9	48	Glasgow	F	10	50	Moscow	S	12	54	Strasbourg	S	14	57
Belgrade	F	17	61	Guernsey	F	13	55	Munich	S	14	57	Sydney	C	15	59
Berlin	C	12	54	Helsinki	S	10	50	Nairobi	S	28	82	Taipei	R	31	88
Biarritz	F	20	68	H. Kong	F	28	82	Naples	F	20	68	Tangier	S	20	68
Bombay	S	34	93	Innsbruck	C	13	55	Nassau	C	33	91	Tel Aviv	S	28	82
Bordeaux	C	15	59	Inverness	C	8	46	New Delhi	C	37	99	Tenerife	F	25	77
Brussels	F	14	57	Islamabad	S	29	84	New York	S	11	52	Tokyo	S	20	68
Budapest	R	11	52	Istanbul	S	22	72	Nice	S	20	68	Toronto	S	11	52
B. Aires	C	22	71	Jakarta	C	32	90	Nicosia	S	30	86	Tunis	F	23	73
Cairo	S	29	84	Jersey	F	14	57	Oporto	C	19	66	Valencia	S	22	72
Cape Town	S	20	68	Jo'burg	F	19	66	Oslo	C	10	50	Venice	S	16	61
Caracas	C	29	84	Lima	R	21	70	Paris	F	15	59	Vienna	F	13	55
Casablanca	S	23	73	Lisbon	F	19	66	Peking	R	15	59	Warsaw	R	7	45
Chicago	S	15	59	London	F	14	57	Prague	F	13	55	Washington	-	-	-
Cologne	C	12	54	Los Angeles	C	21	70	Reykjavik	Sn	0	32	Zurich	C	12	54
Copenhagen	F	10	50	Luxembourg	F	11	52								
Corfu	S	21	70	Madrid	F	15	59								
Dallas	-	-	-	Majorca	F	23	73								
Dublin	F	11	52	Malaga	S	22	72								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Continued from Page 1

Heron chief arrested

a result of a series of property deals.

The interests of his Heron Corporation now include office blocks, petrol stations and financial service companies in the UK, Europe and the US. The total wealth controlled by him and his charities is estimated at about £1bn.

He has also been an active stock market dealer, particularly during takeover battles. During the Burton takeover bid for Debenhams in 1985, he accumulated a 7 per cent stake in Debenhams which he used to play a pivotal role in the outcome.

Most of his deals on the Stock Exchange were carried out by his personal stockbroker Mr Tony Parnes who, he said in his letter, approached him with an offer to buy Guinness shares in return for an indemnity and a fee.

Continued from Page 1

Bonn tax proposals

1990. Stating that high company taxation was a serious impediment to growth and investment in West Germany, he said the tax programme suffered from "disequilibrium."

Although Mr Necker was careful to couch his criticism of last weekend's decisions in measured tones, his comments underline industrialists' unease that the tax programme has been geared too much towards cutting income tax rather than corporate taxes. The West German Association

SECTION III

FINANCIAL TIMES

SURVEY

The buy-out has caught the managerial imagination. Merchant bankers and venture capitalists, too, have been learning fast. With the recent MFI deal, buy-outs in the UK have moved into a different league. But will the bubble burst? Report by **Charles Batchelor**

Taking action to cut free

GO BACK 10 years and the buy-out was a little-known and risky option which corporate finance people had great trouble explaining to the average manager.

Now, complains one leading deal-maker wearily, executives turn up with business plans which have already been honed by their accountants. They expect the money people to submit to a "beauty contest" before giving the mandate.

Few corporate finance techniques have caught the managerial imagination so successfully. From just 13 UK deals worth only a few million pounds recorded in 1977, the numbers rose to 261 deals worth £1.2bn in 1986.

The buy-out wave continued during the first nine months of 1987 with 125 deals worth £1.36bn being recorded, but earlier this month the buy-out moved up a gear. More than 350 managers from MFI, the furniture retailing division of Asda-MFI, staged a £715m buy-out of their company.

This deal was four times larger than the £173m buy-out of Mardon Packaging, a subsidiary of BAT Industries, now renamed Lawson Mardon.

Even so, Britain has had nothing to match the size of the leveraged buy-outs common in the US, where Beatrice Companies, the food and consumer products group, was acquired in a record-breaking $6.2bn deal in April 1986.

But these transactions differ significantly from their near name-sakes in the UK. They are usually led by an investment bank intent on breaking the company up for the maximum resale value. Industrial managers play only a minor role in the US leveraged deal.

While the big deals catch the headlines on both sides of the Atlantic, it is the smaller deals - of anything from £500,000 to £5m in the UK - which are working a significant change in the corporate scene.

So popular has the buy-out become in Britain that 3i (Investors in Industry), a leader in the field, has staged road-shows around the country to meet the demand for information from would-be buy-out teams.

Spicer and Pegler, the City accountants, have launched a buy-out Freefone line to take calls in confidence from managers considering the move. Gimmicky though this sounds, Spicer says its phones have been very busy.

It is not just the management teams which have been learn*ing fast. The merchant bankers* and venture capitalists who set up the deals have been developing their skills.

Mr Roger Brooke, chief executive of Candover Investments, one of the largest in this field, says his team can put together a fully-scripted buy-out plan in 24 hours with the help of computer models - assuming that the management's figures are correct.

The reasons for the popularity of the buy-out are several. The takeover boom of the past five years has created companies with ill-fitting businesses to sell, while other long-established companies are slimming down to their core operations.

Many bankers, chastened by problems with Third World loans, are investing their money closer to home. An estimated *£5bn worth of funds* is available to finance UK buy-outs, four times the actual investment in 1986, according to some estimates.

Finally, the change in the political and business climate has made ownership an attractive option for managers previously content to be employees.

But do buy-outs really represent a new willingness to take *commercial risks? Some critics* accuse the venture capital industry of backing buy-outs as a safe option and of neglecting riskier start-ups and early stage financing. Most buy-outs, after all, involve established companies with good cash flow and seasoned managers.

The very success of the buy-out has prompted fears that it may be a bubble which could be burst by an economic downturn. Fears presently centre on the highly-geared US buy-outs, rather than on their more conservatively-financed UK counterparts. But some deal-makers worry that the deals on this side of the Atlantic are becoming less prudent.

"Buy-outs in the US could become the bankers' next Mexico or Brazil," warns 3i's Mr Derek Sach. "We see deals which are completely dependent on assets being sold off after one or two years. If there is a slump in the market or a rise in interest rates they are dead."

Some UK bankers fear that the volume of US money moving into the City of London will lead to similar strains in Britain. With more institutions competing for deals, prices are forced up, burdening the newly bought-out company with a mountain of debt.

But others are more sanguine. Candover's Mr Brooke acknowledges the potential danger but points out that even in the US only a small number of buy-outs have got into trouble. The Bank of England is known to keep a keen eye on any move to highly-geared transactions in Britain.

For the moment, British buy-outs are carried out on a fairly conservative basis, typically with a debt to equity ratio of 3 or 4:1 compared with 8 or 9:1 common in the US.

Despite these reassurances, the nature of the UK buy-out game has changed fundamentally over the past few years. Starting out as a means of disposing of poorly performing subsidiaries - which were often sold at a discount to net asset value - the deals now usually involve successful but ill-fitting operations. These now tend to be valued not in terms of asset cover for any loans but on a multiple of past and projected cash flows.

Growing competition on the part of the financiers for the deals available has pushed up prices and forced the money people to devise new methods of making the transactions possible.

Mezzanine financing, a US import, has been introduced to bridge the gap between the price of the deal and the value of the underlying business.

It takes the form of a high-yielding loan capital, ranking *after secured loans but ahead of* equity in the event of the company failing. To compensate the mezzanine lenders for the greater risk that they run, mezzanine funds typically earn interest a couple of percentage points higher than that applying to secured loans.

Despite the continuing rapid growth of buy-outs in recent months, management teams have been running into increasing competition from trade buyers. The strength of the stock market has enabled quoted companies to issue their own highly-rated shares to finance takeovers at prices which cannot be matched by the management teams.

"For every deal we do, we lose one to a trade buyer," says 3i's Mr Sach. "They can pay 20 to 30 per cent more because of the *benefits they will get from* rationalising the business."

To counter this threat the buy-out finance teams have developed the "bought deal" to give managements time to raise the funds. One bank or finance group will take the complete deal on its books and syndicate it later to other institutions once the contracts have been signed.

Competition from the trade buyer has meant that many recent buy-outs have succeeded only because the buy-out method had a special feature which appealed to the vendor company.

A buy-out may be preferable because the vendor wants the deal done quietly - that is without having teams of outside accountants crawling over its factories and its figures - or to get it done quickly, before an AGM or a year end. Or it may be that the company being sold contains both good and poor operations which would be unattractive to a trade buyer as a single package.

Most financiers agree the management teams have become cannier in structuring the deals in their own favour. Competition to provide funds has allowed managers to increase the percentage stake they can expect to take in the bought-out company. In some cases, managements have become greedy, the bankers claim, making it more difficult for financiers to make a decent return.

This has prompted a move out of the overheated UK buy-out market into the Continent, where the technique is only now starting to catch on.

Schroder Ventures, Baring Capital Investors, 3i and Citicorp Ventures are among those to be actively promoting buy-outs on the Continent. France appears to offer good prospects but managers in Germany have proved very cautious, placing security and prestige of working for a large company above the promise of higher financial rewards from a buy-out.

Japan, too, has proved a difficult market to penetrate but British and American buy-out specialists are attempting to break in. However, Japanese companies can bring strong commercial and personal pressures to bear on executives who consider this option and so far buy-outs have appealed only to a small number of Japanese managers with lengthy US business experience.

Some specialists have been promoting alternatives to the buy-out. The buy-in is being heavily marketed as a way of bringing new management into under-performing companies. Instead of a company's own *managers* buying it from the parent group, an outside management team is brought in.

Sceptics point out that finding new managements for lame duck companies is nothing new. But there are signs that the bankers are attempting to identify and assemble potential buy-in teams of managers in a more systematic way.

As the MFI deal illustrates, *there is a lot of life left in the* management buy-out. But even if it did falter, the bankers are working hard on its successor.

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Charles Batchelor gives a practical guide to the pitfalls

How to stage a buy-out

DESPITE THE increasing frequency of management buy-outs over the past few years, most managers will only carry out one deal of this kind in their working lives. The difficulties they face are considerable.

First, they must start their discussions with each other and with their financial advisers, in conditions of secrecy. This is to avoid alerting their own senior management to their plans, as well as possible rival bidders. Group boards have been known to react negatively to proposals from a divisional management team for a buy-out of part of a company.

Second, the increasing popularity of buy-outs has meant that the vendors - the parent company or the controlling family - know that they can strike a hard bargain. This is in contrast to the early years of buy-outs when many companies were content to dispose of troublesome subsidiaries to their managements at a knock-down price.

Intense competition for would-be buy-outs has helped to push up average prices. Management teams face rival offers from trade buyers and from buy-in teams of professional managers backed by competing City institutions.

Managers keen to acquire ownership of the companies they run must therefore plan their buy-out campaigns with care. Buy-outs can fail for a variety of technical reasons - legal, taxation or financial. But according to some experts, the most common cause is a personality clash and the inability of the two sides to communicate effectively.

Managers face the difficulty of negotiating their own independence with their bosses. They may run the risk of the sack for suggesting a deal and if negotiations break down at any stage their career prospects within the parent company may be harmed.

This problem can be partly avoided by appointing independent financial advisers to lead the negotiations. Theirpresence will take some of the heat out of the talks and they will be less concerned about offending the boss.

The smaller the buy-out team the better. A group of between two and five people is believed by many to be the best. This cuts down the possibility of disagreements within the team and makes for quicker negotiations.

The managers should establish at a very early stage whether, in principle, a buy-out is feasible. If not, this will save their own time and avoid hefty bills from the professional advisers.

Once the buy-out team has established that it makes sense to get down to detailed planning, it should pay great attention to drawing up a detailed and realistic initial proposal.

The merchant banks and venture capitalists who back these deals see hundreds of proposals a year. To simplify their task they will tend to reject any poorly-prepared proposition and those which are not based on realistic assumptions.

Proposals should describe the business involved, the backgrounds and experience of the management team, the financial history of the operations to be bought and give realistic forecasts of future performance.

But even more important than the business concerned, is the quality of the management team. Financiers never tire of saying that they would rather back a good management team in a difficult industry than a poor team in a sector with gleaming prospects.

The managers must convince the money people of their motivation and personal qualities. They must persuade the financiers that they can make the leap from being employees - however senior - to owners of their own business.

Choosing financial advisers is an important step. The popularity and profitability of many recent buy-outs has brought many new players into the field. Not all of them have the experience they claim, so managers should seek the advice and personal recommendation of others who have already completed a buy-out.

The financiers should be brought into the negotiations as early as possible. This may make for a small increase in fees but the advantage of having professional guidance from the start can save money in the long run. The managers should, however, make sure they determine the likely cost of advice in advance and the likely size of the bill if the deal does not go through. Abortive talks could face the managers with large personal costs.

The managers should make sure that the advisers are completely independent of both the vendor and the financier. There is a danger, for example if the same accountants act for the team and for the financiers.

While the financiers of the deal are on the same side as the management team, their approach to structuring the deal will be very different.

Competition among the merchant banks and the venture capital funds to finance buy-outs gives management teams a broad choice of partner so the managers should choose carefully.

The financier wants to construct a deal which will give him a rapid pay-back of the funding and this may conflict with the long-term objectives of the managers. The structure of the financing, the cost of the funds and the size of equity stake held by the managers must all be negotiated.

Buy-outs increasingly involve "ratchets", a term used to describe the tying of the management's equity stake to the performance of the company. Under such arrangements, managers usually start with a basic holding which increases if targets are met. Some, however, allow for a decline in the manager's stake if goals are missed.

If the financing of the deal is syndicated to a number of institutions, the managers may find that differing and possibly conflicting demands are being made on them.

That should make sure that a reasonable balance is achieved. They should also be aware of any additional financial conditions imposed by their bankers against the company's assets.

The management team must be prepared for a long haul. Deals normally take from nine to twelve months to complete though some have taken up to two years to put together. At one moment the negotiations may appear to be going smoothly; at the next they may stall and the whole deal may look in jeopardy.

The managers should attempt to keep the negotiations moving forward all the time. Although they will depend to a large extent on the advice of the professionals, they should not let them dictate completely the progress of negotiations.

Some experts advise managers to consider using the threat of a walk-out to improve the terms of the deal or to ward off rival bidders. This can be particularly effective where the business consists mainly of the managers' professional skills. They must be prepared to put their threat into effect, however, since the vendors may call their bluff.

The growth of the management buy-in has increased the demand for professional managers able to parachute into a troubled company. Managers with sufficiently impressive credentials should therefore have no problem finding another outlet if their own buy-out attempt fails.

Financing the deal is all-important. While the managers may be tempted to reduce their borrowing requirement as much as possible to cut interest charges, they should make sure they have sufficient funds to carry out their plans.

Borrowing too little could force them to refinance their business at an early stage or could even mean the venture fails. They should choose the source of finance carefully, but avoid approaching too many financiers since this may make their proposal look shop-soiled.

Investors

Fewer deals financed by just one institution

NOW THAT the management buy-out is an established part of the corporate finance scene, the range of potential investors is rapidly widening. A survey by Venture Economics and the Centre for Management Buy-Out Research identified 147 equity investors in buy-outs last year, as against 91 in 1985.

A high proportion of those investors made only one investment, according to the Venture/Centre report. Even so, there were 23 institutions which backed five or more buy-outs.

Topping the list, to no-one's surprise, was Investors in Industry, better known as 3i. It backed 80 of the known buy-outs identified in the survey, or 31 per cent of all the deals.

Amongst the other investors backing five or more deals were the four big clearing banks through their various development arms - in the case of National Westminster via County Development Capital. Other frequent investors include merchant banks like Charterhouse and Schroders and large investment institutions such as the Prudential.

One reason for the increased number of investors is the increased size of the deals being organised. 3i estimates that the median size of the deals it is involved in is probably £50-70m these days, whereas that would have been the top end of the range a few years ago. Larger deals tend to be syndicated amongst a group of investors with one institution acting as lead manager.

The Venture/MBO Centre survey found that the number of buy-outs financed by just one institution decreased from 66.7 per cent to 55 per cent between 1985 and 1986. Correspondingly, the number of deals financed by five institutions or more jumped from 10.6 per cent to 12.9 per cent.

A good example of the need for a syndicate was the recent management buy-out by MFI, the furniture retailer, the largest ever attempted in the UK. Five institutions subscribed for 60 per cent of the £190m of equity capital - Charterhouse Management Buyout Fund, CIN Industrial Investments, Citicorp Venture Capital, Globe Investment Trust and MJH Nightingale.

Chemical Bank arranged the senior debt financing of £465m and Charterhouse Bank, Banque Paribas, Chemical Bank, Credit Agricole, Industrial Bank of Japan, National Westminster Bank and Standard Chartered Bank acted as lead underwriters. The deal was then put into syndication.

Total Number and Value of Buy-Outs 1967-1986

Year	No.	Cum. No.	Value (£m)	Cum. Value (£m)	Av. Value in Year (£m)
1967-76	43	43	n/a	n/a	n/a
1977	13	56	n/a	n/a	n/a
1978	23	79	n/a	n/a	n/a
1979	52	131	26	26	0.50
1980	107	238	50	76	0.47
1981	124	362	114	190	0.92
1982	170	532	265	455	1.56
1983	205	737	315	770	1.54
1984	210	947	415	1,185	1.98
1985	229	1,176	1,150	2,335	5.02
1986	261	1,437	1,210	3,545	4.64
1987 (9 months)	125		1,360		

Source: The Centre for Management Buy-Out Research, Nottingham University

One variant of the syndicated finance plan is the "bought deal" - where one or two institutions finance the whole deal and then sell it on to other groups. An example last year was Technitron which was underwritten by 3i and Citicorp Venture Capital which then syndicated the deal with 14 other investors.

One reason for the increased number of investors is the increased size of the deals being organised. 3i estimates that the median size of the deals it is involved in is probably £50-70m these days

The administrative problems involved in putting together such deals encouraged some groups to set up specialist buy-out funds, backed by substantial slugs of capital. In late 1985, Schroder, Citicorp and Electra Candover established funds which had the potential to back buy-outs to the extent of £1.75bn.

That led some to speculate that there were too many funds chasing too few good deals. "When we announced the buy-out for Compass," recalls Ewan McPherson of 3i "we had around 40 calls by 10.30 am".

But despite the availability of funds, it is not always that easy to arrange deals. With the stock market at all-time highs, some funds have been outbid when financing buy-outs by publicly-quoted companies using highly-rated paper. As a result, one or two of the specialist funds were initially slow to find homes for their money.

There was a further problem for the new funds - as the cost of putting together a buy-out increased, so the potential for profit reduced. A combination of bigger and less profitable buy-outs might spell disaster in the long run.

Venture Economics report says that some of the previous successes have "undoubtedly led to unrealistic expectations on the part of some of the institutions investing in buy-outs for the first time".

But enthusiasts for buy-outs are unabashed. They point out that the size of the UK buy-out market is still well short of that in the US. And as the technique is becoming more widely accepted, managements which had previously not considered the buy-out option are now coming forward. "We're seeing some very good management teams these days," says Ewan McPherson of 3i.

However, the institutions have been forced, in some cases, to battle against excessive demands on the part of managements. One response - known as ratcheting - involves tying managements down to a small initial equity holding and only allowing it to increase it if they meet certain profit targets.

One widely-held expectation was that the US banks who are used to backing highly-leveraged deals - with a lot of debt and little equity - would move in and dominate the market. But with the exception of Bankers Trust and Citicorp, the Americans have not yet become significant players.

As the Venture/MBO Centre report says: "Although several major US banks are now active in sponsoring UK buy-outs, they mainly act as providers of mezzanine finance or other forms of subordinated debt."

The trend this year has been to establish funds to finance buy-outs in continental Europe. Baring Capital set up an Ecu60m (£41m) fund in September and 3i, Candover and Schroder Ventures have all established European networks.

The move overseas is a response to the growing tendency for buy-outs to include an international element. Many UK deals have been buy-outs of divisions of overseas companies - Wickes, for example - and large deals often involve companies with multinational operations. With several different legal systems and tax regimes to battle through, the need for sponsoring institutions to have international expertise becomes all-important.

"Trends in UK buy-outs by Venture Economics and the Centre for Management Buy-Out Research, available from 14 Barley Mow Passage, London W4 4PH

Philip Coggan


THE ENTREPRENEURS.
-ART: FRANK LANGFORD-
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UNTIL 1980, GRAHAM CLARK MADE A LIVING...OF SORTS...SUPPLYING WEST COUNTRY FURNITURE TO LONDON ANTIQUE DEALERS...
...THEN HE SAW A MARKET GAP!
HIS COMPANY, SMALLBONE OF DEVIZES, CREATED THE UK MARKET FOR TRADITIONAL KITCHENS SOLD THROUGH THEIR OWN SHOWROOMS...
-AND THEN BOUGHT SANITAN WITH IT'S VICTORIAN RANGE IN 180 BATHROOM CENTRES!
IN 1985, CVC INJECTED £500,000 CAPITAL TO STRENGTHEN THE BALANCE SHEET FOR A USM FLOTATION..
THESE GUYS DON'T JUST SIT AROUND WAITING FOR DIVIDENDS AND A FLOTATION...THEY'RE PREPARED TO ROLL UP THEIR SLEEVES ... AND HELP OUT!
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VRROOOM!
WITH 10,000 TRAILERS OPERATING FROM 41 DEPOTS IN 10 COUNTRIES, TIP IS NO. 1 IN EUROPEAN TRAILER RENTAL!
WHEN THE 'FOR SALE' SIGN WENT UP LAST YEAR, CVC LED A SYNDICATE OF 14 INSTITUTIONS IN OUR £60 MILLION MANAGEMENT BUY-OUT.
20 YEARS WITH TIP, JIM CLEARY IS NOW IN THE DRIVER'S SEAT OF A 3-YEAR £27 MILLION EXPANSION PROGRAMME TO PROVIDE...
MORE CHOICE: 27 STANDARD MODELS...OR DESIGNED TO SPEC...
Littlewoods
Hello Tosh
... IN OWN LIVERY...
...AND MORE DEPOTS-TO GET THE TRAILER TO THE JOB FASTER AND CHEAPER!
THE WAY AHEAD IS CLEAR
...AS COMPANIES PUT ONLY 75% OF THEIR FLEET ON THE BALANCE SHEET AND TOP UP WITH RENTALS FOR PEAK DEMANDS, AS JIM SAYS, "THEY'RE YOURS WHEN YOU NEED THEM... OURS WHEN YOU DON'T!"
CITICORP VENTURE CAPITAL
CVC SUPPORTS THE ENTREPRENEURS OF THE 1980'S WITH CAPITAL IN EVERY PHASE OF A COMPANY'S LIFE CYCLE...START-UPS, EXPANSION, AND MBO'S.
OUR STAFF COME FROM A VARIETY OF INDUSTRIAL AND COMMERCIAL BACKGROUNDS... TECHNOLOGY TRANSFERS AND MARKETING PROPOSITIONS ARE FAMILIAR TERRITORY.
WE ARE FLEXIBLE AND CREATIVE IN TAILORING EACH FINANCIAL PACKAGE TO A COMPANY'S PARTICULAR CIRCUMSTANCES!
SIZE IS NO OBSTACLE... AS PART OF THE WORLD'S LARGEST BANKING ORGANISATION CVC HAS THE FINANCIAL MUSCLE! WE THRIVE ON COMPLEX CROSS-BORDER DEALS, BECAUSE WE HAVE A VIGOROUS INTERNATIONAL NETWORK THAT REALLY WORKS!
CITICORP VENTURE CAPITAL
• START-UPS
• EXPANSION CAPITAL
• MANAGEMENT BUY-OUTS
IF YOU HAVE A QUALITY PROPOSITION CALL US.... WE'VE BEEN LEADING PLAYERS IN THIS GAME FROM DAY ONE, SO WE HAVE THE EXPERIENCE YOU'LL NEED TO BUILD ON!

Mezzanine financing

Lending to bridge the gap

AS THE management buy-out market has become more competitive, and the price of deals has soared, bankers and investors have had to devise ever more inventive financial packages.

This has led to the introduction of mezzanine financing - an import from the US - to bridge the gap between the price of the deal and the value of the underlying assets. It has also prompted the growth of the bought deal, to allow management teams to compete with trade buyers, and the use of ratchets to ensure that managers have an additional incentive to perform.

Mezzanine financing - so-called because it is a half-way stage between equity and *loan capital* - has been the most controversial innovation. It has prompted some fears that the buy-outs are being propped up by unsound finance and that companies will fold at the first set-back.

So far, none of these fears have been realised - though some mezzanine-funded deals in the US have had to be refinanced. But the buoyancy of world stock markets and fairly stable interest rates have meant that buy-outs have not been put to the test.

Mezzanine finance is being used increasingly to meet the demands of managers for large equity stakes in their companies and the requirement of the investors that they get a good return.

If the demands of the management and the investors for equity in the venture lead to too high an equity component in the deal, the investing institutions are unlikely to get an acceptable yield on their holding. If, on the other hand, a large amount of loan capital is provided (the deal becomes highly leveraged), the assets are unlikely to be sufficient to back the volume of lending.

Mezzanine finance comes in as a layer of funding which ranks after secured lending in the event of the company failing but before equity. To compensate for the greater risk attaching to this unsecured lending, mezzanine funds qualify for a higher rate of interest than secured lending.

Mezzanine funds would normally expect to earn a couple of points more than secured loans or senior debt. While secured bank lending might qualify in present conditions for a yield of 11½ to 12 per cent, mezzanine funds would yield 13 to 15 per cent, says Mr Charles Gonszor of Citicorp.

Typically, the mezzanine funds would carry a fixed coupon while the senior debt would carry a floating interest charge. In addition, the mezzanine funds often carry what is known as an "equity kicker" in the form of options or warrants for the investor to acquire shares.

The combination of the interest and the warrants would be expected to take the global yield on the investment to between 20 and 25 per cent a year.

"Mezzanine funds provide high risks and high returns over a long period," says Faye Wilson, managing director of acquisition financing at Security Pacific National Bank. "There are not many places you can get a 15 per cent running yield and an equity booster to take you to 25 per cent - and that over a 10 year period."

The downside - in conventional banking terms - is that the deals are now financed in relation to the *ability of the bought-out company* to generate cash, rather than the asset backing. If interest rates rise sharply, the company might have difficulty in meeting the interest charge.

To limit the impact of interest rate movements, some deals incorporate what, in management buy-out jargon, is known as a "cylinder". This incorporates a "cap" - or ceiling - setting a maximum interest charge regardless of the market, and a "collar" or floor should interest rates fall.

Despite this move to cash flow-based finance, most UK deal-makers believe buy-outs are still financed within conservative limits. A typical ration of borrowings to equity on UK deals is 3 or 4:1. In the US, deals are commonly carried out on gearing of 8 or 9:1.

"These UK deals are mainly mature companies with steady cash flows," says Citicorp's Mr Gonszor. "We don't leverage a transaction to the point where it endangers the company's future."

While the principle of mezzanine finance has been imported from the US there are differences between American and British practice, says Mr Gerard Lynch, vice president of acquisition financing at Security Pacific.

Strictly speaking, mezzanine lenders have no right to receive any payments while there are sums still owed to the secured lenders. In the US this extends to a bar on mezzanine lenders taking action to obtain payment until any problems have been sorted out.

By contrast in the UK, mezzanine lenders do sometimes retain the right to interest payments. And, on occasion, mezzanine capital is provided temporarily to allow a deal to be completed and then repayed from the first cash flows generated by the bought-out company.

This means that, for a while at least, the mezzanine lender is in a better position than the secured lender. This type of finance is bridging finance rather than mezzanine funding proper, says Mr Lynch.

While equity, mezzanine and secured lending often come from different sources, investors do also frequently seek to combine mezzanine with one of the other forms of finance.

Though competitive conditions have meant that management teams have been able to strike increasingly favourable terms for themselves when negotiating with their financial backers, the investors have, in turn, applied ratchets to their funds.

A management team would typically be offered a smaller equity stake than it was seeking but be told its stake would increase if certain profit targets were met. Sometimes negative ratchets would provide for a fall in the management's equity stake if targets were not met but more usually a good performance would bring additional shares.

Though the bankers frequently feel that the balance of advantage has swung too much towards the managers in structuring deals, the management teams do face tough competition from trade buyers keen to acquire their company. Trade buyers can frequently offer more and complete a deal more quickly.

To overcome the problem of speed, and to reduce the risk of the details of a deal being leaked, some of the larger deal-makers such as 3i, Prudential, and Citicorp are prepared to take the complete financing of a transaction onto their own books and syndicate it to other investors when the dust has settled.

This saves the management team from having to negotiate with several different investors and avoids the delays normally caused.

"There is no doubt that the bought deal significantly improves the management's chances of acquiring their business. Even," says Mr Paul Brooks of Prudential Venture Managers, "in the relatively small buy-out, underwritten deals will become increasingly important".

Charles Batchelor

Faye Wilson, Senior Vice President; Gerard Lynch, Vice President, Security Pacific National Bank, Acquisition Finance Group

Buy-ins

Teams come in as doctors

IN THE 1970s it was the "company doctor", with his black bag of corporate remedies at his side, who went into ailing companies to return them to health. Professional consultants or senior corporate figures with the influence and independence to prescribe unpleasant medicine, they would be brought into companies in difficulty.

The late 1980s have seen a refinement of the company doctor principle. Taking as a model the management buy-out, venture capitalists and investment bankers have begun systematically to cultivate management teams capable of moving into a company in trouble. With financial backing from their bankers, the managers buy into the target company.

It was not unknown for the old-style company doctors to acquire small equity holdings in the companies they helped, *but* buy-ins tend to give the managers much larger share stakes.

Greater acceptance of the idea that professional managers can also own the companies they run has meant substantial numbers of buy-ins are now being attempted. Mr Derek Smith of 3i (Investors in Industry) estimates his organisation will arrange up to 40 buy-ins in its current financial year.

Though the term buy-in has come to be applied to deals of this sort only in the past 18 months, the £310m purchase of Woolworth Holdings from its US parent by the Paternoster consortium in 1982 was an early - and still the largest - example of the technique.

Paternoster brought in Mr John Beckett, formerly chief executive of British Sugar Corporation, to head the new management team, though it was many months before he succeeded in attracting capable executives. Woolworth was regarded then as a retailing disaster but it has since gone on to provide good returns for its investors.

Attention has been drawn to the buy-in more recently by the attempt of Mr Philip Ling, former managing director of the Haden engineering *group*, to stage a buy-in at another publicly-quoted company, Simon Engineering. While this buy-in failed, it focused attention on the technique.

More of a success story was provided by the return of Cambridge Instruments to the London Stock Exchange in March, eight years after Dr Terry Gooding carried out a buy-in at what was then *a struggling* manufacturer of scientific equipment.

The venture capitalists and the bankers are keen on buy-ins because they represent a more profitable line of business than buy-outs. Buy-outs have become so popular and so much institutional money is chasing a limited number of deals that the management buy-out teams have been able to squeeze the bankers on the *terms of the* deals.

A further sign of the maturity of the buy-out market is that the techniques have become widely known and most deals show only a limited degree of novelty, says Mr David Hutchings, deputy managing director of Midland Montagu Ventures.

The most significant difference between a buy-out and a buy-in is that, as the name implies, in the latter case the management team are strangers to the company and are brought in from outside.

The three main requirements of a buy-in are:

- An incoming management team with a good business record. Preferably its members should have experience of running their own company, rather than just a *division or* a subsidiary of a larger group. If they have previous experience of a buy-out, that is an added advantage.

- The investors should be prepared to take a close interest in the company after the new managers have taken over. Since the new management does not have the same detailed knowledge of the company that a buy-out team would have, the risks are larger. Investors must, therefore, be willing to take a much more hands-on role.

- There must be a target company which has failed to reach its full potential because of management weaknesses, and with shareholders who are ready to sell out.

Naturally enough, the agreement of the shareholders is essential in the case of a buy-in at a publicly-quoted company. The attempt by Mr Ling to stage a buy-in at Simon Engineering ran into stiff opposition from the Simon management and failed to convince shareholders. A contested buy-in has all the problems of a contested takeover bid and a few more besides.

The buy-in may overcome one of the objections to the buy-out - that a management which appeared unable to run a successful business before the buy-out is suddenly able to perform much better when it has its own money invested in the venture. Since the buy-in team consists of newcomers, this conflict does not arise.

It seems likely that a growing number of managers will be attracted by the idea of a buy-in. Some will be executives who would be willing to stage a buy-out of their existing company but are frustrated by their senior management's refusal to sell the business. Others will be casualties of the corporate restructuring which is currently going on in British industry in the form of takeovers, divestments and reorganizations.

Mr Richard Aston is an example of the frustrated buy-out manager. With the backing of Citicorp Venture Capital, he attempted a buy-out of Unibond-Copydex, the home improvements division of Beecham. In the event, Beecham sold Unibond, where Mr Aston had been managing director, to Henkel, the German chemical group.

Mr Aston then went on to stage a £6.5m buy-in at Gillroyd, a Yorkshire-based manufacturer of kitchen furniture, together with Mr David Evans, a former colleague. The two plan to transform Gillroyd into a broadly-based DIY supplier and hope for a stock market listing in about two years.

But even buy-ins can run into opposition. 3i's Mr Sach says one executive attempting a buy-in was beaten four times by rival trade buyers. It is quite common for buy-in teams to make several unsuccessful bids before finally succeeding.

A problem facing the buy-in managers is that, unlike the sitting management, they can claim no special knowledge of the target company, so they have to take their place alongside any other outside bidders.

With the buy-out teams, trade bidders and now the buy-in teams all competing for control of the ailing or the spun-off company, prices seem set to remain high and the venture capitalists and bankers busy.

Charles Batchelor

Buy-out speak

Guide to the jargon

Bridge financing: Short-term funding for a company which is on the point of raising a new round of equity or about to go public.
Captive fund: A venture capital fund which is part of or owned by a larger financial services group.
Corporate venturing: Practised on a small but growing scale in the UK, this is when a large corporation buys shares in a small company either directly or through a venture capital fund. The idea is to get a toe in the door of a potential acquisition, or to allow the big company to get involved in a risky research project while keeping the costs off its own balance sheet.
Deal flow: The rate at which investment propositions come to venture capitalists. Bad deals tend to flow faster than good ones.
Development capital: Finance for growing companies which are profitable or almost profitable.
Due diligence: Detailed analysis and appraisal of the background of the entrepreneur and his business plan.
Earn-out: A formula by which the management can at some later date buy back their venture capital investors' shares at a multiple of the price at which they were originally sold.
Exit: Venture capitalists exit when they sell their holdings in target companies either through a stock market flotation or a takeover by a large corporation.
Fat cat: Frequently used to insult a venture capitalist who is felt to be rewarded beyond all proportion to his contribution to life.
Gearing: Borrowings, as a percentage of shareholders' funds. If you have borrowed £800,000 from the bank and you and your backers have together put £1m into the business, your gearing is 80 per cent.
Greenfield venture: A company which is starting up from scratch and has no trading record.
Hands on/pro-active: A hands on investor aims to add value to his target company by participating in its management, usually taking a non-executive post on the board and being on hand for all kinds of advice.
IRR: Stands for internal rate of return. Different people work this out in different ways, but it usually means the average annual rate of return to the investor over a given period, including dividend distributions and realisation profits or the profits shown on a fair valuation of the target group.
Lead investor: Venture capitalist with largest share in a syndicated investment. He will usually take a hands-on role on behalf of the other partners.
Lemons and plums: Bad investments ripen faster than good ones turn profitable, or in the jargon, lemons ripen before plums.
Living dead: Not quite as depressing as it sounds, this refers to companies which are just about trading profitably but are unlikely to become stars or even plums.
Leveraged buy-out: Almost the same thing as a management buy-out. The name refers to the high levels of borrowings these kinds of companies frequently achieve, using the assets being purchased as leverage.
Pearls: Those companies which bring a gleam to venture capitalists' eyes and pay for all their dud investments. They take a long time to develop and often start life in muddy conditions. The same things as stars and plums.
Portfolio approach: Usually taken by hands-off venture capitalists, this entails using your financial skills to pick what you hope will be a winner and putting it into a balanced portfolio of companies in varying sectors and at different stages of development.
Ratchet/sliding scale: An incentive arrangement whereby the entrepreneur gets a bigger share of the equity if his venture performs well and less if he does badly. The idea is to allow the venture capitalist to get more money back if the company underperforms.
Replacement capital: A euphemism for cashing in one's chips. When an entrepreneur sells some of his shares to the venture capitalist because he is broke or wants to leave, the cash he receives becomes replacement capital.
Second round financings: These are what companies get when they have already launched products onto the market but need more cash to realise their full potential.
Seedcorn investment/seed capital: Investment which enables a project or idea to begin development so that it can grow into an early stage company.
Slippage: That is what happens when a target company starts to eat up more cash than expected, usually through lower than projected sales volumes.
Sponsored spinout: An investment where a new company is formed, part-owned by a venture capital company, a management team and their previous parent company. The new company is set up to exploit new developments or identify fresh market opportunities.
Star: The company which is so successful that it pays for all the failures in a venture capitalist's portfolio many times over.
Start-up: The next stage on from seedcorn, this refers to a company which has developed or is in the process of developing a product, but has yet to make sales or profits.
Syndicated investment: An investment which is too large and risky to be handled by one venture capitalist and will therefore be shared among several partners.
Venture capital: Hands-on venture capitalists describe it as the concept of adding value to investments by participating in management and offering advice. Those in the hands-off camp use the wider definition of risk investment in unquoted companies with high growth potential.
Extracted from Venturespeak, 3i, tel:01-928 7822

Analysis of major UK buy-outs

Deal Leader	Company	Total Funding £m	Other Equity Type Investors	Bank and Mezzanine Finance
Bankers Trust	International Leisure	188	Omnicorp, ABC Finance, L&G, Jardan	Bankers Trust, ABC, L&G, Jardan
	Premier Brands	102	None	Bankers Trust, Citibank
	Mallinson-Denny	93	Schroder, CIN Arabian Banking, BR Pension Fund, Castle, Citicorp, Colguy, CDFC, ECI, First National Boston, Friends Provident, 3i, L&G, Rothschild, Sun Life, Smaller Cos. Int. Trust, Baronsmead, SDA	Bankers Trust, Bank of Scotland, Canadian Imperial, Clydesdale, Midland, Natwest, RBS, Ulster Inv. Bank
	United Machinery	80	CIN, Electra, Kleinwort, Midland Montagu, Schroder, ECI, 3i, Lloyds, Prudential	3i, Barclays, Lloyds, Westpac, Prudential, Kleinwort, Lloyds, Samuel Montagu, Bankers Trust, Creditanstalt-Bankverein, Standard Chartered
	City Merchant Developers	40	Equitable Life, Sir R. McAlpine & Sons, Webb Construction, How Investments, Candover, Kleinwort	Bankers Trust
	Leyland Bus	10	Lancashire Enterprise, Unity Trust	Bankers Trust, Bank of Scotland
Barclays Development Capital	National Freight Consortium	53	County Natwest, Lloyds, RBS	Barclays, Lloyds, RBS, Natwest, County
	Victaulic	15	Prudential, 3i	Barclays
	Evans Halshaw	9	None	Barclays
British Linen	Gleneagles Hotel	13		
Candover	Caradon (Mead Building Products)	81	Globe, Electra, CIN, Scottish Eastern, Murray, Barclays, Hoare Candover, Alliance	Hong Kong & Shanghai, Citibank, Bank of Scotland, Standard Chartered, General Electric PF
	Timpson	42	3i, Electra Fleming, Murray, BP Pensions, Commercial Union, Scottish Amicable, Royal Insurance	County Natwest
	Simplex	39	Globe, 3i, Electra, Murray, Prudential, CIN, Hoare Candover	Bank of Scotland, Kleinwort
	Berkertex	22	Globe, Electra, Securities Trust of Scotland, Scottish Eastern, Hoare Candover, Barclays	Bank of Scotland
	Stone	16	Electra, Globe, 3i, CIN, L&G, Lloyds	Charterhouse, Kleinwort
Candover	[illegible]	14	County Natwest, Electra, ECI, SUMIT, Kleinwort, Montagu Loebl, English Association Trust, NZ Insurance, Castle, Sun Life, Thompson, Clive	Natwest
	Famous Names	8	County Natwest, Gresham, Lazard, Prudential, SUMIT, Fountain	Natwest, Ansbacher
Candover/SUMIT	Parico	10	Globe, Scottish Eastern, Hoare Candover	Bank of Scotland
Castle Finance	Reyco	16	None	Barclays
Charterhouse	Unipart	52	Electra, Globe, 3i, Barclays, Standard Life, Citicorp	Barclays, Commerzbank, Fuji, Standard Chartered and 29 others
	[illegible]	19	Electra, Noble Grossart, Midland Montagu, 3i, Gresham, Lloyds, Barclays, ECI, Kleinwort	Kleinwort, Barclays
	Secure Homes	13	3i, SUMIT, Prudential, Scottish Eastern, F&C, Murray	3i, Nova Scotia, Gotenbanken, Yorkshire
	A J Archer (MEMCO)	12	Murray, Noble Grossart, Electra	Charterhouse, Standard Chartered, Hispano America
Charterhouse/Citicorp	Wades	19	None	RBS
	[illegible]	11	Rothschild, Murray	Standard Chartered
Chase	Pontin's Holidays	57	None	Bank of Scotland
CIN	[illegible]	12	3i, MIM	Natwest, Jowran Smith
Citicorp	Tip Europe	80	3i, Prudential, Midland Montague, Globe, County Natwest, Brown Goldie, Charterhouse, ECI, Kleinwort, Phillips & Drew, Creditstal Int., CIN, Close	Bankers Trust, Kleinwort, Bank of Boston
	[illegible] Corrugated	15	3i, Fountain, Charterhouse, County Natwest, CIN	Citibank
	European Industrial Services (GKN Fasteners)	12	Fountain, BR Pension Fund, CIN	Citibank
	KDG Instruments	11	CIN, Prudential, Enterprise Trust	Bank of Scotland
Citicorp/CIN	Paragon	24	Globe, Electra, F&C, 3i	Den Norske Credit, Natwest
3i	Compass	180	Prudential, CIN, Barclays, Charterhouse DC, Citicorp VC, Close, Commercial Union, County Natwest, F&C, Globe, Warburg, Phillips & Drew, Schroder V, Scottish Amicable, SPHG, Standard Chartered, Standard Life	Natwest, Bank of Scotland, Credit Agricole, Ind Bank of Japan, Standard Chartered, Toronto-Dominion, Westpack, Arab Banking Corp, 3i, Barclays
3i	Associated Fresh Foods	65	SPHG, Prudential (and others to be announced)	Standard Chartered, 3i
	Computing Devices	19	CIN, Warburg, Prudential	None
	[illegible] BMA	15	Citicorp, County Natwest, F&C, Electra, Murray, Phillips & Drew	Natwest
	Trend Communications	12	CIN, Prudential, Lazard	Natwest, 3i
	Tibbett & Britten	10	Murray	Lloyds
	[illegible]	10	CIN, Close, County Natwest, Darrowway, Scottish Eastern, Lothian, Prudential, SDA	Bank of Scotland, Prudential
3i/Citicorp	[illegible]	21	Schroder F&C, Ivory & Sime, Barry, County Natwest Development Capital, ECI, Fleming, Globe, Kleinwort, Prudential, Rothschild, SUMIT	Den Norske Creditbank, Chase
County Natwest Ventures	Vosper Thornycroft	10	Gresham	Standard Chartered
	Holliday Dyes	12	Citicorp, 3i, APA Ventures, Thompson Clive	Hong Kong & Shanghai, Barclays
Electra	Haden ([illegible])	60	PIC Capital, Globe, Lloyds, Charterhouse, F&C, Citicorp, Candover, RBS, Prudential, Morgan Capital, Hoare Candover	PIC Capital, Morgan Guaranty
Electra/Candover	Fairey	51	ECDIP	Samuel Montagu
Electra/Candover	[illegible]	43	ECDIP	Standard Chartered
Electra/Scandinavian Bank	[illegible] Paper	38	ECDIP, Candover, Globe	Scandinavian Bank
First National Boston	First Leisure	44	3i, CIN, London Merchant Secs, THF, Anglia TV, L&G, Norwich Union, Refuge, County Natwest, Royal, Eagle Star, British American Film	Bank of Boston, Natwest, Creditanstalt Bankverein, Bank of Montreal
Granville	[illegible] Services	16	Barclays, County Natwest, CIN, L&G, Lloyds, Manufacturers Hanover, Schroder	Barclays
	Joyce Hygiene	11	Barclays, Charterhouse, Confed Life, Eagle Star, Electra, Friends Provident, Grosvenor, L&G, Lloyds, S. Yorks CC, Stewart, Rothschilds	Freshfields Smith
	Record Ridgway	13	Bache Gifford, Eagle Star, F&G, Gartmore, L&G, London Life, Postel, Rothschilds, Scottish Provident, S. Yorks CC, Standard Life	RBS
	Isis	8	CIN, Citicorp, Equitable Life, F&C, L&G, Norwich Union, Scottish Equitable	
Guidehouse	SPP Group	8	ECI, Friends Provident, Lloyds	Privat Banken, Lloyds
Guidehouse/Citicorp	[illegible] (Hornby)	10	SUMIT, Electra, F.S Assurance, Melville, Schroder	
Hambros	[illegible]	35	3i, Prudential, Electra, CIN	None
Hill Samuel	[illegible]	28	Public	None
Kleinwort Benson	Bradstock Group Insurance	20	None	Kleinwort
Kleinwort Benson	Istel	28	Midland Montagu, Citicorp, Barclays, Lloyds, Warburg, Thompson Clive, Sharp Technology, Candover, First National Boston	Lloyds
Kleinwort Benson/Chase	Collier	47	Midland Montagu, Scottish Eastern, Bricomm, Brcal, Caledonia, Cayzer, Eagle Star, Melchum, Mercantile & General, Ross Fund, TR Trustees, Westmen Nominees, 3i	Midland

by deal participants

Deal Leader	Company	Total Funding £m	Other Equity Type Investors	Bank and Mezzanine Finance
Lloyds Development Capital/ Merchant Bank	Vickers Shipbuilders & Engineers	100	3i, First National Boston, Prudential, Abbey Life, Britannia, BAe PF, Commercial Union, Eagle Star, Hoare Govett, London & Manchester, Norwich Union, Pearl Assurance Pacific, Save & Prosper, Equitable Life, St George's PF	Prudential
	Norwest Holst	45	Lloyds	Lloyds, Norwest
	[illegible]	27	Barclays, Phillips & Drew, Bankers Trust, County Natwest, 3i	Natwest, First National Boston
Lloyds Development Capital/ Merchant Bank	Thermalite	12	Wood MacKenzie, Warburg, Electra, Kleinwort, Merchant Navy PF, Midland Montagu, NCB PF, Postel, Gartmore, Ivory & Sime, CIN	
Merrill Lynch	Lawson Mardon	280	Canadian private companies	Citibank, Bank of Nova Scotia
Midland Montagu Ventures	Mecca Leisure	95	Warburg, 3i, Midland Montagu, Royal Insurance, Eagle Star, Charterhouse, Merchant Navy PF, Refuge, Scottish Widows, British Rail PF, Fountain, MIM, RBS, Norwich Union, Scottish Amicable, Friends Provident, London Life, Gartmore, Hill Samuel, Morgan Grenfell, Barclays, British Linen Bank, South Yorkshire CC, Postel	Samuel Montagu, RBS, 3i, Charterhouse, Creditanstalt
	British Transport Advertising	50	None	Midland
	AVO	13	None	Midland, Philadelphia National
Midland Montagu Ventures	Perth Decorative Products	12	County Natwest, ECI, Fountain, SUMIT, WDA	Natwest
Midland Montagu Ventures/CIN	CSE International (AMF Legg)	25	First National Boston, Electra, Castle, Charterhouse, Refuge, Sun Life	Midland
Morgan Grenfell	Target	50	Merchant Navy PF, Bank of Scotland, Britac, Grosvenor, Midland Montagu, Posa Fund, Schroder	
Providence Capital Bermuda	English & American Insurance Co.	10	None	None
3i/Prudential	Westbury	12	Electra, Murray, Citicorp, Kleinwort, Brown Goldie, County Natwest, Gresham, Hoare Candover, Midland Montagu, CIN, North Brit, Canadian, London Life, Target, L & G, Alliance, Colorado DC	Midland
	Gomme	12	Barclays, Charterhouse, CIN, County Natwest, Fountain, Midland Montagu, Phillips & Drew, [illegible]	3i

Deal Leader	Company	Total Funding £m	Other Equity Type Investors	Bank and Mezzanine Finance
3i/Prudential/ Manchester Exchange Trust	St. Regis	52	3i, Prudential, CIN, Warburg, Electra, Murray, First National Boston, Hoare Candover, Citicorp, Melville, clients of Mossale	Natwest, Citibank, Chase
Scandinavian	Intercraft Designs	15	Private individuals	Scandinavian, Postbanken
Schroder Ventures	Parker Pen	74	Bankers Trust, Electra, Chemical	Bankers Trust, Kleinwort
Security Pacific Hoare Govett Equity Ventures	Clares Equipment	29	County Natwest, CIN, Barclays	Security Pacific, Lloyds, 3i, Saudi International
	Crown House Engineering	38	None	Credit Agricole
	[illegible] (London & Midland Industries)	25	None	Manufacturers Hanover
Warburg	Data Recording Instruments	22	N.E.B., Prudential, Pellas, British Gas Pensions, Electra, L & G, Kleinworth	None
3i/Warburg	Wolsey	120	Imperial Life Pens Fund, Prudential, Lloyds, Midland Montagu, Baring, Britel, Somerset CC, Global Asset Management, St. Catherine's College, Merchant Navy PF, TR Industrial & General, MIM	3i
NONE	Amalgamated Foods	21	Unilord Dee Corporation	Unilord Dee, Natwest
NONE	[illegible]	13	None	None
NONE	Willis Faber (Willington)	10	None	Barclays
NONE	[illegible]	10		Bank of Scotland
NONE	[illegible]	8	None	Manufacturers Hanover
NONE	Stanley Gibbons	9	None	Barclays
	Richard Sankey	24		
	[illegible]	19		

Involvement of solicitors in larger MBOs

	Acting for: Management	Deal leader	Total
Clifford Chance	12	17	29
Ashursts	4	12	16
Freshfields	1	11	12
Slaughter and May	5	5	10
Allen and Overy	3	6	9
Herbert Smith	3	4	7
Norton Rose	3	3	6
Dickson Minto	4	—	4
Turner Kenneth Brown	4	—	4
Linklaters	2	2	4
Evershed and Tomkinson	4	—	4
Macfarlanes	—	4	4
3i Legal	—	4	4
Travers Smith Braithwaite	1	2	3
Cameron Markby	1	2	3
Lovell White & King	2	1	3
Herbert Oppenheimer	2	—	2
Wilkinson Kimbers	2	—	2
S. J. Berwin	2	—	2
Wragge & Co	2	—	2
Simpson Curtis	1	1	2
Others	30	14	44
	88	88	176

Source: Peat Marwick McLintock

Deal Leaders of larger MBOs

	Number of deals Sole	Joint	Total	Total value £m	Average value £m	Address	Telephone number
Bankers Trust Company	6	—	6	491	80	Dashwood House, 69 Old Broad Street, London, EC2P 2EE	01-726 4141
Barclays Development Capital	4	—	4	92	23	Pickfords Wharf, Clink Street, London, SE1 9DG	01-407 2389
British Linen Bank	1	—	1	13	13	55 Bishopsgate, London, EC2N 3NN	01-588 7911
Candover Investments	7	3	10	298	30	Cedric House, 8-9 East Harding Street, London, EC4A 3AS	01-583 5090
Castle Finance	1	—	1	15	15	PO Box 53, Surrey Street, Norwich, NR1 3TE	0603-622200
Charterhouse	4	2	6	126	21	7 Ludgate Broadway, London, EC4V 6DX	01-248 4000
Chase	1	1	2	104	52	PO Box 16, Woolgate House, Coleman Street, London, EC2P 2HD	01-726 5559
CIN	1	2	3	61	20	PO Box 10, London, SW1X 7AD	01-245 6911
Citicorp Venture Capital	4	5	9	183	20	2 Savoy Court London, WC2R 0EZ	01-438 1266
County Natwest Ventures	2	—	2	31	16	Drapers Gardens, 12 Throgmorton Av., London, EC2P 2ES	01-382 1000
Electra	1	3	4	192	48	65 Kingsway, London, WC2B 6QT	01-831 6464
First National Boston	1	—	1	44	44	PO Box 155, 5 Cheapside, London, EC2P 2DE	01-248 0701
Granville	4	—	4	47	12	8 Lovat Lane, London, EC3R 8BP	01-621 1212
Guidehouse	1	1	2	19	10	Vestry House, Greyfriars Passage, Newgate Street, London, EC1A 7BA	01-606 6321
Hambros	1	—	1	28	28	41-55 Bishopsgate, London, EC2P 2AA	01-588 2851
Hill Samuel	1	—	1	28	28	100 Wood Street, London, EC2P 2AJ	01-628 8011
3i	7	5	12	511	43	91 Waterloo Road, London, SE1 8XP	01-928 7822
Kleinwort Benson	2	1	3	93	31	PO Box 560, 20 Fenchurch Street., London, EC3P 3DP	01-623 8000
Lloyds Development Capital/ Merchant Bank	4	—	4	184	46	40-66 Queen Victoria Street, London, EC4P 4EL	01-248 4275
Manchester Exchange Trust	—	1	1	52	52	Pembroke House, 40 City Road, London, EC1Y 2AX	01-251 9261
Merrill Lynch	1	—	1	280	280	27 Finsbury Square, London, EC2A 1AQ	01-382 8960
Midlands Montagu Ventures	4	1	5	195	39	114 Old Broad Street, London, EC2P 2HY	01-588 6618
Morgan Grenfell	1	—	1	50	50	23 Great Winchester Street, London, EC2P 2AX	01-588 4545
Prudential Venture Managers	—	3	3	76	25	142 Holborn Bars, London, EC1N 2NH	01-936 8799
Scandinavian Bank	1	1	2	53	27	Scandinavian House, 2/6 Cannon Street, London, EC4M 6XX	01-236 6090
Schroder Ventures	3	—	3	135	45	Regina House, 5 Queen Street, London EC4N 1SP	01-382 6000
Security Pacific Hoare Govett Equity Ventures	1	—	1	29	29	Security Pacific House, 4 Broadgate, London, EC2M 7LE	01-588 0303
SUMIT	—	1	1	10	10	Edmund House, 12 Newhall Street, Birmingham, B3 3ER	021-200 2244
SG Warburg	1	1	2	142	71	33 King William Street, London, EC4R 9AS	01-280 2222
None	9	—	9	135	15		
Eliminate joint deals		(15)	(15)	(542)			
	73	15	88	3,163	36		

NOTE: This and other tables report the results of a survey as at 18th September 1987 undertaken by Peat Marwick McLintock for the Financial Times of the deal leaders of management buy outs since 1981 with total funding of over £10m in 1987 values. UK MBOs are strictly so defined and exclude for example management buy-ins, leveraged refinancings and UK financed offshore MBOs.

Source: Peat Marwick McLintock

Accountants in larger MBOs

Peat Marwick McLintock	35
Deloitte Haskins & Sells	12
Arthur Andersen	11
Price Waterhouse	2
Spicer and Pegler	4
Touche Ross	4
Arthur Young	4
Ernst & Whinney	3
Coopers & Lybrand	2
Grant Thornton	2
Others	6
	88

Source: Peat Marwick McLintock

Top 10 providers of debt

	Number of MBOs
NatWest	14
Bank of Scotland	11
Barclays	11
Standard Chartered	9
3i	8
Kleinwort Benson	7
Bankers Trust	6
Citibank	6
Lloyds	6
Midland	6

Source: Peat Marwick McLintock

Top 25 equity investors

	Number of MBOs invested in
3i	33
Electra	28
CIN	25
Prudential Venture Managers	23
Citicorp	19
County NatWest	18
Midland Montagu Ventures	17
Candover Investments	16
Barclays Development Capital	16
Lloyds	15
Charterhouse	14
Globe	12
Kleinwort Benson	12
Murray Johnstone	10
Schroder Ventures	10
Legal & General	10
Bankers Trust	8
Castle Finance	8
S G Warburg	8
ECI	8
F & C	8
Hill Samuel/Fountain	8
SUMIT	7
First National Boston	6
Scottish Eastern	6
Eagle Star	6

Source: Peat Marwick McLintock

Profile: Rentco International

Buy-out spurned at first

THE MANAGERS of Rentco International expected a more understanding reception from their erstwhile employers when they mounted a bid late last year for the UK and European trailer hire subsidiary of Fruehauf Corporation of the US.

The managers' £43m offer, backed by Electra Candover Partners and Standard Chartered Bank, eventually emerged in May as the winner, but they were fortunate even to have been allowed to submit it at all. Fruehauf, advised by Merrill Lynch, originally refused point-blank even to consider a bid from the managers.

"I was shocked, to be honest," said Mr Alex "Sandy" Aranyos, Rentco's executive chairman. "In New York, you'd think we'd have more chance than in London where, it's accepted, it's a much less mature business."

Fruehauf, a trailer manufacturer which owns Crane Fruehauf in the UK, had its reasons. "They were afraid that we would come in very low and create a very low floor for bids," Mr Aranyos said. But the initial refusal was especially ironic in view of the fact that Fruehauf managers themselves had only just bought out the parent company for $1.15bn as a defensive manoeuvre against a hostile bid.

The sale of Rentco International - with 6,500 trailers, the second largest hire company in Europe - reflected Fruehauf's need to sell assets quickly.

Rentco managers and their advisers eventually convinced Fruehauf at least to entertain a bid, arguing that other suitors might be wary of pursuing a business which the managers themselves did not want to buy. This was not, however, the last episode in the buy-out saga which led Mr Aranyos and his colleagues to conclude that top executives do not always treat middle managers as they would like to be treated themselves.

Mr John Midlane, managing director and the other leader of the buy-out, recalled: "The greatest difficulty was that we were bidding for the company but at the same time were obliged to act as employees of the company that was selling us." The managers had to receive and explain the business to four other serious contenders - Transport International Pool (itself a leveraged buy-out from Gelco of the US), Tiphook, Bunzl and Yorkmount.

Fruehauf, they still feel, was insensitive to their plight. Although the ending was happy in Europe, their argument is supported by the outcome in the US, where the top manager quit after a parallel management buy-out for the domestic Rentco operation (mounted by the same team as a sweetener for the European deal it really wanted) lost out to Boston-based Xtra.

Despite some lingering regret over the circumstances of the buy-out, Rentco still buys most of its trailers from Fruehauf. Prices and delivery times have improved from the days when Rentco was a captive market. "They have become much more commercial towards us," Mr Aranyos said. Fruehauf previously had always been under pressure from other customers not to give favourable treatment to Rentco. As a result, the in-house hire company probably did not get the keenest prices.

"In the running of the business, nothing needed to change, so nothing has changed," Mr Midlane said. "We are entrepreneurial managers, we are not corporate managers." Both he and Mr Aranyos - an American who worked as a lending officer for Chase Manhattan Bank before joining Rentco in 1974 - had been with the company since shortly after its launch in the early 1970s. They had always - in some ways - approached the company as if it were their own.

When the chance came to put this into practice, they found an enthusiastic response from the 16 management colleagues invited to join the buy-out team. "Everyone who was offered (a share) not only accepted, but took the maximum they were offered," Mr Midland said.

Management subscribed for a total of £300,000 in ordinary shares. Electra Candover channelled in £11m in preference shares yielding 7 per cent and £2m in cumulative convertible participating shares.

The latter pay the higher of 7 per cent or an agreed percentage of pre-tax profits. They will convert according to a ratchet agreement. Management can choose whether this will be based on cumulative performance or the p/e if and when the company is floated. Candover Investments keeps the basis of the conversion - and thus the range of the managers' eventual equity stake - a close secret (to avoid setting a precedent for future buy-outs or tipping off competitors).

The balance of the funding for the buy-out came from Standard Chartered in the form of £21.5m of senior debt, a 10-year floating rate loan, and £7.5m in mezzanine finance at a fixed 15 per cent rate. Rentco also has a £900,000 interest-free loan from its former parent.

Clay Harris

Stuart Ross (left) and Andrew Fitton: background despite relative youth

Profile: buy-in at Braithwaite

Time right for change

BRAITHWAITE, an old-established engineering company, had long been considered ripe for a shake-up when Mr Andrew Fitton, a 30-year-old businessman with a reputation for reviving companies in trouble, moved in last year.

A combination of the problems facing Braithwaite, and a 35 per cent block of shares held by clients of the company's stockbroker, had dissuaded other predators in the past. But the support of Braithwaite's chairman, Mr John Harper, allowed Mr Fitton to break the spell. After a total of 37 years as company solicitor and non-executive director, Mr Harper felt change was necessary.

With the backing of merchant bankers Samuel Montagu, Mr Fitton began buying Braithwaite shares in June 1986 and by the end of the year had taken his holding to 29 per cent at a cost of £1.35m. In January he became chief executive, a move which was followed by the resignation of some of the old-guard of directors.

Even as recently as last year, when Mr Fitton and Montagu began working together, the term "buy-in" had not come into vogue. But the combination of merchant bank and outside shareholder/manager working together to bring new life to a company, was part of a growing trend.

Despite his relative youth, Mr Fitton persuaded Montagu he had the background required to take on Braithwaite. After school in Newcastle he had bought a small, unsuccessful garage business for £4,500 and revitalised it. He then moved on to Megaleasing, a computer leasing company which was in serious trouble, and revived its fortunes. It was while he was at Megaleasing that he came into contact with Montagu. The bank asked him to consider other deals and he brought up the subject of Braithwaite.

Mr Fitton and Montagu set up a limited company called Carrera Holdings - taking stakes of 70 and 30 per cent respectively - to finance the share purchases. This arrangement was not particularly tax-efficient, Mr Fitton now acknowledges, but this formal structure was required for Montagu to be able to provide the funds. "Montagu would not have lent to a simple concert party," says Mr Fitton.

Montagu's decision to help finance the share purchases reflects the growing willingness of merchant banks to commit their own funds to their clients' deals.

Though Mr Fitton's buy-in at Braithwaite was a solo effort - in terms of the number of managers involved - he had been talking to Mr Stuart Ross, an old school friend and now an accountant. Mr Ross joined the board as finance director in March. His business career had taken him to ECI Ventures, a venture capital group, and then into the corporate finance department of FH Tomkins, the successful mini-conglomerate built up by Mr Greg Hutchings. At one stage Tomkins had looked at Braithwaite but decided against bidding.

Braithwaite had been established towards the end of the nineteenth century and went public in the 1920s. It had developed two main businesses - structural steel and pressed steel water storage tanks.

The company's distinctive square water tanks are a familiar site throughout the world but it had done little to improve on the product and its market had declined.

Profits fell sharply in the mid-1980s and in 1985 it got out of steel fabrication, leaving it with a much-reduced tank business and a number of other smaller activities.

The Fitton/Ross management team began by imposing tighter financial controls and succeeded in squeezing more than £3m out of the balance sheet by tightening up in areas such as working capital. Its property investments were sold off and its head office in the Surrey village of Great Bookham is now up for sale for £1.5m.

Turning to the businesses themselves, tank manufacturing has been sub-contracted out though Braithwaite continues to design and install the products. At the same time, the range of tanks available has been broadened.

"We want to get the existing businesses running as efficiently as possible, even if there won't be great growth," says Mr Fitton.

In May the company made its first important step towards the new managers' goal of becoming a more broadly-based industrial holding group. It paid £27m for Andrews Group, which manufactures, hires and sells heating, drying and air-conditioning equipment to industry.

The Andrews purchase was financed by a rights issue which more than tripled Braithwaite's market capital from £11m to £39m. Montagu lent £2.4m to Carrera to help it take up some of its rights, though Mr Fitton's stake in the ordinary shares fell to 15 per cent. Mr Ross, meanwhile, has acquired a holding of less than 0.5 per cent.

With engineering and plant hire now established Mr Fitton has plans to add another two areas of activity.

He is looking for acquisitions in the field of industrial or commercial services such as security and cleaning. Braithwaite has built up a 15 per cent stake in Leisuretime International, with the aim of declaring its interest in the hotel group's subsidiary, Worldwide Dryers, which supplies hand dryers for washrooms. No firm decision has been taken on the fourth area, but distribution is a possibility.

By 1986, Braithwaite's declining profits had turned into losses - of just over £1m. This was cut to £248,000 in the year ended March, 1987. However, the addition of the Andrews business should boost the combined group's result and analysts are forecasting a profit of £3m to £4m this year.

Charles Batchelor

France

Buy-outs are seen as key to keeping jobs

THE FRENCH, in typical fashion, call them RES, short for "*reprise d'entreprise par ses salariés*". The term is nothing more than a translation for the more familiar Anglo-Saxon LMBO or leveraged management buy-out.

But the fact that France has opted for a special term of its own for this emerging activity reflects the high hopes of the conservative government, as well as investment specialists, for the development of this fledgling business.

Specialists in the LMBO field see the potential for management buy-outs as enormous. They claim that the number of companies capable of being interested in LMBOs over the next 10 years runs in the thousands.

A recent study by the venture capital association, Afic, revealed that as many as 10,000 small and medium-sized enterprises, employing between 50 to 1,000 people, had company chairmen who would be reaching retirement between now and the end of the decade.

Of these enterprises, about a third are likely to face serious succession problems, for these are the "patrons" who built up France's backbone of small business enterprises during the post-war economic boom. Their retirement will pose difficult problems of finding replacements to run and manage the companies.

The authorities have become increasingly worried by this issue since if replacements and successors are not found, many of these enterprises risk disappearing. At stake are as many as 600,000 jobs, according to the Afic report. Already succession problems are estimated to cause about 10 per cent of corporate bankruptcies.

The government sees LMBOs as providing a solution to guarantee the ongoing survival of many of these companies. The market for management buy-outs is likely to grow even more, however, as a result of the restructurings of major industrial groups as well as the government's privatisation programme.

Strategic streamlining, and the refocusing on core businesses by these larger groups, has meant that an increasing number of smaller subsidiaries which no longer fit in the grand strategies of the restructured groups have looked for a new direction.

Even before the right returned to power in France 18 months ago, the former Socialist government had attempted to launch the development of management buy-outs as part of its overall strategy to boost venture capital and develop new financial instruments in France. The Socialists introduced the concept of management buy-outs with legislation passed in 1984.

The original law offered enormous fiscal advantages to encourage salaried workers to mount management buy-outs. But there were also handicaps because operations had to be screened by the finance authorities. In many cases, this either put people off applying for management buy-outs, or tied up dossiers in red tape. Moreover, buy-outs were limited to employees of the companies in question, narrowing the field considerably since outside investors were not able to propose a buy-out operation.

The authorities are worried. At stake are as many as 600,000 jobs

Indeed, during the last two-and-a-half years, only about 140 management buy-outs have been approved by the authorities although the pool of potential operations was clearly considerable. The new government, therefore, immediately set about studying a change in the legislation to try to improve the climate for management buy-outs.

The big change has been to scrap the fiscal advantages of the earlier law but, in compensation, reduce to a minimum the red tape. Special authorisation is now no longer necessary. Moreover, the government has widened the range of candidates by allowing outside investors as well as employees of the companies to arrange buy-out operations.

Although the tax breaks have been reduced, the government is confident that the simplification of the procedures and the broadening of the range of candidates able to launch buy-out operations will now give a new stimulus to this business. Additionally, with the general surge in interest in France in all types of venture capital among domestic and foreign financial institutions, the number of banks and other investment groups willing to put up funds for management buy-outs is expected to grow.

Mrs Rio Howard, who has recently published a detailed study on venture funding and high technology in France, suggests that management buy-outs could represent one of the most buoyant venture capital sectors because they pose less risks and offer faster returns than pure start-ups with long lead times. "French investors continue to be generally hesitant and risk-averse. For this reason, I think buy-outs could become increasingly attractive for French risk investors."

In the last few months, there have also been a growing number of relatively large-scale buy-outs, among them the SMT-Goupil microcomputer company. Another eloquent example of the growing interest in management buy-outs in France is the recent privatisation of the Institut de Developpement Industriel (IDI), through a FFr1.4b management buy-out.

Paul Betts

Over half floated within three years

The time-lag between a management team staging a buy-out and bringing their company to market has been shortening and more than half are now floated within three years. Caradon, the building products company which makes Twyford bathroom fittings, took 21 months from the buy-out from Reed International to flotation last July.

Caradon, which was by no means exceptional, shows the extent to which the process can add to the value of a business. From a buy-out valued at £61m, just £12m of which was accounted for by equity, Caradon moved to a flotation which valued it at £124m. The shares on offer were subscribed 33 times and after the first day of trading the company's shares closed at a premium of a further 34 per cent.

Like other companies which have been floated recently, Caradon benefited from the buoyancy of the stock market. But the underlying reason for the re-rating of the business was the steps taken by its strengthened management team, headed by Mr Peter Jansen (right), managing director and chief executive, and Mr Antony Hichens, chairman (left).

There was an increase in trading profit from £9.7m in the year of the buy-out to £16.1m in the 12 months ended March 1987.

CB

US buy-outs

Fixed part of the landscape

IN THE US, interest rates present the only cloud on the horizon as management buy-outs boom merrily along.

If they move much higher, then interest rates may well present a problem, according to Mr Martin Sikora, editor of Mergers and Acquisitions magazine. As the cost of money rises, then the price of companies must fall.

Otherwise, the practice of buy-outs by a group - including company management - with the help of borrowed capital is now a fixed part of the financial landscape. It has been professionalised, institutionalised and systematised. In fact, it is now a growth industry with investment banks joining in to provide their own capital.

US subsidiary buyouts

Year	Number	Total value $m
1978	49	75
1979	59	47
1980	47	363
1981	83	484
1982	115	1,400
1983	139	2,500
1984	122	3,600
1985	132	5,000
1986	144	9,540

By all indications, the managers who invest in their companies have been reaping huge profits, particularly those companies which sell off subsidiaries for handsome profits and then returned to what was until recently a surging stock market.

The sale of Outlook Communications of Providence, Rhode Island, by the Rockefeller family to a group of executives in July 1986 made many of the managers into millionaires after the company went public again last January. One executive saw his $87,000 stake soar to $8m.

That sort of killing by investors is indicative of one of the latest trends spotted by Mr Sikora. Companies which go private in leveraged buy-outs are making speedier returns than ever to the public market. (Formerly, companies went private for five to seven years, during which time they made strategic changes in operations, paid off their debt and went public again to raise more capital or to make handsome profits for investors.)

Over 50 companies which went private in the past five years have gone public again - some with the management still in control, according to Mr Sikora. Investment Dealers' Digest said that last year 30 leveraged buy-outs returned to public hands and 13 more joined them in the first quarter of this year.

It all works very well in a surging market, as long as interest rates remain very low. In fact, it worked so well for the buyers of Beatrice Co and its chief executive, Mr Donald Kelly, that suspicions have been raised that management buy-outs, in general, can cheat innocent stockholders, who know no better than to take the profits and run.

When Beatrice went private last year in a $6.2bn leveraged buy-out, it was the largest ever, arranged by the buy-out king, Kohlberg, Kravis & Roberts. The new private company, bought out by former management with an equity stake of $400m, took just eight months to shed nearly $5bn in debt by selling off bits and pieces.

Part of the remainder, called "E2" went public in July. The rest, a domestic food company, is up for sale now for an estimated $6bn. The investors are in line for a profit of $4bn.

The Beatrice deal illustrates the advantages of including a management group in a buy-out. It knew the company and knew its worth. Outsider acquisitions, on the other hand, can provide some unpleasant surprises.

Wickes, a West Coast conglomerate, bought out Collins & Aikman, a Manhattan textile manufacturer, for $1.16bn. It later discovered that the new subsidiary had sold about $360m worth of commercial carpeting which failed to meet fire safety standards. Wickes' stock plunged when the news broke.

Sixteen private stockholders of the Atlantic Magazine are involved in a suit and counter-suit with Mr Mortimer Zucker, the real estate developer and publisher. The stockholders, who sold him the magazine, say he did not pay them $2.7m of the $3.6m purchase price. He is countersuing and claiming that he was misled about the magazine's finances.

These cases can be contrasted with that of Metromedia, which was bought by Mr John Kluge, its chief executive, in 1984 for $1.1bn when the company's stock price was at a six-year low. Mr Kluge sold off parts of the company, and the television stations alone brought in $2bn.

The management held on to the company's cellular operations until telecompanies began buying them up. In the end, management got $5.5 bn, five times its original investment.

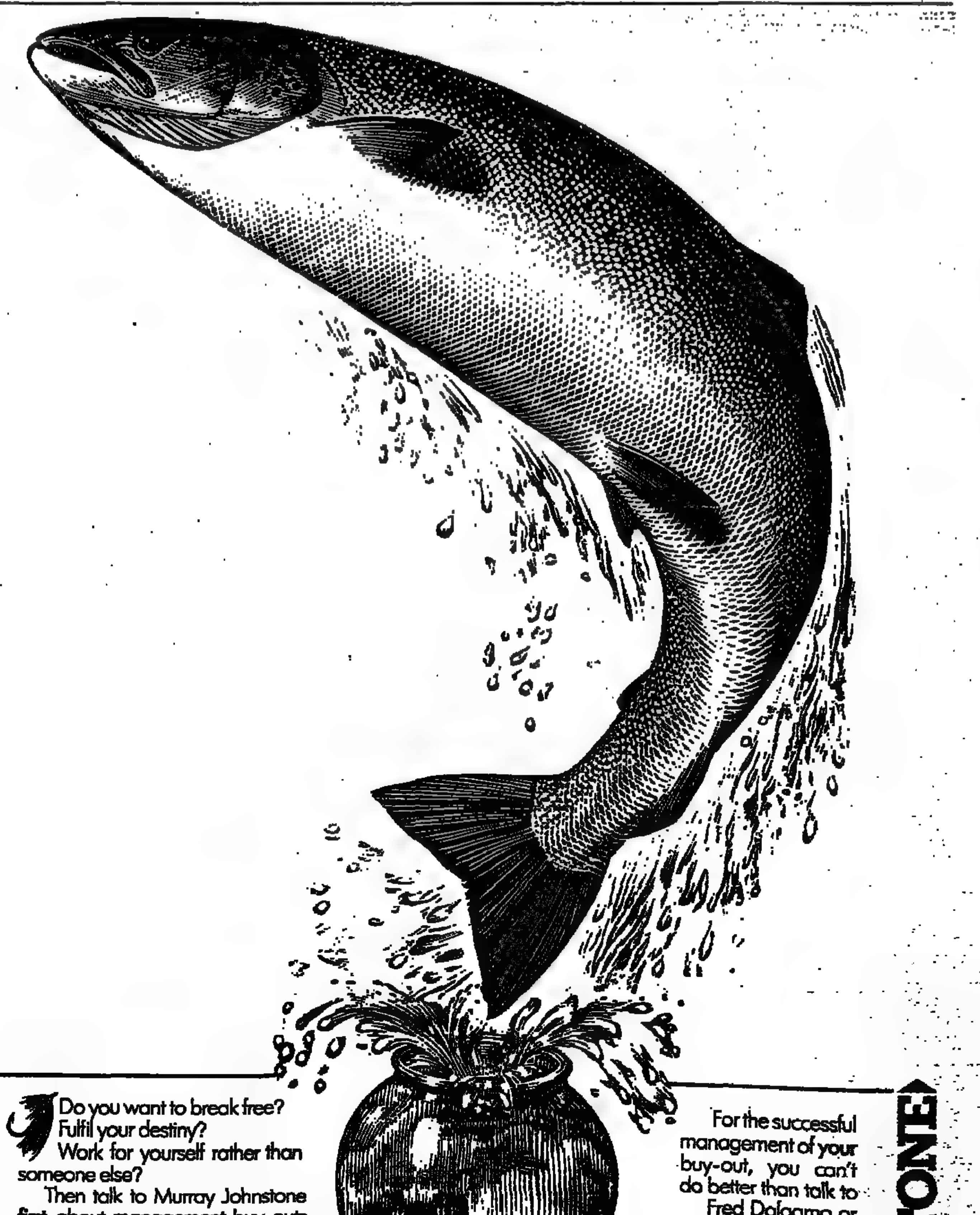
Nancy Dunne

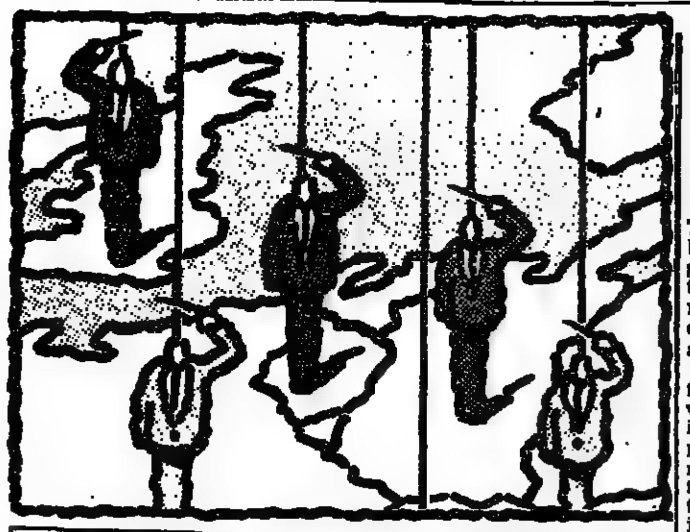
US leveraged buyouts

	Total deals	Known prices $bn
1981	99	3.1
1982	164	3.5
1983	230	4.5
1984	251	18.8
1985	253	19.3
1986	329	44.7
1987*	136	13.2

*First 6 months of 1987; (not included are companies with unregistered prices and the unreported private market).

Source: Mergers & Acquisitions Magazine.





Candover's Roger Brooke: 'German managers are enthusiastic'

International networks

Cross-border deals are on the increase

THE MANAGEMENT buy-out has gone international. The growth in the scope and size of the deals being put together means they increasingly involve operations in several countries and more than one continent.

The merchant bankers and the venture capitalists who advise the buy-out teams are having to establish international networks of offices to meet the needs of their clients. Just as in the late 1970s teams of US venture capitalists began establishing outposts in Britain, the British and Americans are now setting up their stalls in the business centres of the Continent.

They are driven not only by the international nature of the deals in which they are involved but also by intense competition in the UK buy-out market. This has allowed UK management teams to negotiate increasingly favourable terms for themselves and to squeeze the financiers' margins.

The cross-border deal remains a major challenge to the corporate finance skills of the deal-makers but the number of transactions successfully completed is on the increase as the techniques become more widely known.

(Investors in Industry) 3i led a $65m buy-out of Electro-Nite, a supplier of measuring equipment to the steel industry, last December. Managers from eight countries took equity stakes in Electro-Nite, which is based in Belgium and was formerly part of Midland-Ross Corporation of Cleveland, Ohio.

In March, seven senior managers of Wickes, the building supplies and DIY retailer, led a £120m buy-out of their company from its US parent group. Unusually Wickes, which had been quoted on the USM, retained its public market status, moving on to a full listing.

Rentco, the European trailer rental subsidiary of Fruehauf Corporation, was bought out by 18 of its managers in a £43m deal in May. Rentco has operations throughout Europe but is based in the UK.

As these examples show, a ready source of buy-outs is to be found in the European operations of US companies which are slimming their businesses. Another fertile area is the large number of family-owned businesses established in Europe after the Second World War. The owners are now often approaching retirement and may face problems of finding a successor.

The availability of cheap long-term bank lending on the Continent, and the inefficiencies of the local stock markets have meant many sizeable companies have remained in family hands until now.

The growing popularity of privatisation as a means of reducing the state's involvement in industry is also starting to produce candidates for the buy-out treatment in France and elsewhere.

British-based groups such as 3i, Schroder Ventures and Candover Investments have begun opening offices in continental centres such as Paris and Frankfurt. US banks like Citicorp have been seting up venture capital teams in Paris, Frankfurt, Milan and Madrid.

These offices are attempting to stimulate local business - a French buy-out team taking control of a French company - but purely national deals are proving something of an uphill struggle.

In Germany, in particular, the conservatism of the business community, the influence of the banks and still fragmented stock markets have meant the deal-flow has been very slow.

The Netherlands, traditionally more open to foreign ideas, has been the scene of rather more activity with about 100 deals estimated to have taken place in recent years.

France, too, has proved more fruitful ground with a similar number of deals completed. Citicorp Venture Capital reports its Paris office has invested more than $10m in 18 deals over the past two years.

But the figures for individual countries remain small compared with the hundreds of deals carried out in Britain.

Determined though they may be to develop "local" business in the countries where they have offices, the international networks make their most vital (and most profitable) contribution in the large cross-border deals.

By calling in their overseas offices the financiers can locate the deal, research the position of large subsidiaries and product markets in the various countries where the company is based and raise finance locally.

Schroder Ventures, the fast-growing subsidiary of the UK banking group, cites the buy-out of the European machine tool division of the Ex-Cell-O Corporation from Textron Inc. of the US as a classic cross-border buy-out. The division had manufacturing and/or sales centres in Sislingen, Germany; Leicester in the UK; and Michigan.

The deal was located by Schroders' US group; the financing was led by the German buy-out group; and the completion of the deal was carried out by the teams in Germany and Britain.

The management team initially faced competition from another buyer but they managed to negotiate a lock-out period of seven working days in which to carry out due diligence and complete the deal.

An unexpected disadvantage of working across borders was that the seven-day period included bank holidays in Germany and the UK - on separate days.

A noteworthy aspect of the Textron deal was the favourable rate at which both long-term and bridging finance could be obtained from the German bank involved. The rate of 5.5 per cent was considerably lower than rates available in the UK.

The ability to diversify sources of finance is also singled out by Mr Gordon Bonnyman, vice president at Bankers Trust Company, as an advantage of cross border deals. By borrowing funds and raising equity in a number of geographical locations the financing costs of a deal can be reduced, he notes.

But the benefits which can be gained from shopping around for funds are matched formidable disadvantages.

Legal and linguistic differences can lead to headaches. The advisers may find themselves putting their name to lengthy documentation written in a foreign language and using legal terminology which may not have an exact equivalent in the other language.

Deals which take several weeks to negotiate are vulnerable to currency fluctuations which can make a nonsense of the calculations which have been made at the outset. The Textron buy-out was negotiated in the run up to the last British General Election when the opinion polls were influencing the currency markets.

The tax implications of a deal can make or break a buy-out. Reconciling different tax jurisdictions can sometimes produce a windfall for the managers and their advisers. But in other instances tax issues can make an otherwise attractive deal unworkable.

To add to this list of potential obstacles, differing management cultures and traditions of bank lending, constraints on lenders taking security in several legal jurisdictions and different accounting treatment of profits may also cloud the picture.

Despite these difficulties the cross-border buy-out seems set to grow in importance. The decision by several US banks to beef up their London operations is already leading to their taking a closer interest in cross-border deals. This will put further pressure on the British players to seek their profits overseas.

Charles Batchelor

West Germany

Scene is not yet crowded

IT HAS become more than a mere whisper, but is still far less than a loud roar. The idea of managers buying their own companies is gaining ground in West Germany, but the message has not yet penetrated to the extent that it has in the US or Britain.

The talk among those involved in setting up and financing management buy-outs in Germany is more about potential than actual levels of business. "A year ago, hardly anyone knew what they were," says Mr Thomas Matzen, who runs the German buy-out fund of J Henry Schroder, the UK merchant bank. "Now, a lot of managers see management buy-outs as a chance for a new career."

Schroder entered the market nearly a year ago with a DM140m buy-out fund, the first to be set up specifically for this type of financing in Germany. Six months later, in May of this year, it completed the country's largest-ever buy-out. Totalling some DM100m ($55m), it involved the European machine tool division of Ex-Cell-O of the US.

It will take a few more deals like that before the buy-out trend really takes off in Germany, where many owners and managers of companies still have to be educated in or convinced of the advantages of this form of company purchase. "We need some good successes," comments Mr Rolf Dienst, chief executive of TRV, the venture capital arm of Munich's Matuschka group. TRV has being doing buy-outs for several years. Mr Dienst reckons the rate of such deals in Germany should rise sharply from next year. "Don't underrate it," he remarked.

Apart from Ex-Cell-O, where the buy-out was from Textron of the US, the best known such deal in Germany has been that of Loewe Opta, the television and electronics company. Loewe was formerly owned by the Philips group of Holland, and its managers bought into it for an undisclosed sum in March 1985. Dresdner Bank was instrumental in the Loewe deal, though Germany's big banks have so far tended to fight shy of buy-outs as an unknown concept.

They are indirectly involved, however, through WFG Deutsche Gesellschaft fuer Wagniskapital (risk capital), owned by Germany's large commercial banks. Earlier this year, WFG completed the DM12.5m buy-out from the big Thyssen group of its Hausach operation, which specialises in small containers for dangerous goods.

According to Mr Karl-Heinz Fanselow, WFG's managing director, buy-outs are likely to show a similar development in Germany to that of venture capital activities in recent years, taking off after a slow start. "Three or four years ago, people didn't know what venture capital was. Now, there is a good market."

Nor can UK or US buy-out models be easily transferred to Germany. Among the country's many small- and medium-sized companies, where WFG and others see a large potential for buy-outs as the owning families undergo generation changes, much has to be done to promote the idea of buy-outs. Also, many such companies are already highly indebted to banks - the average equity share of German companies' financing is less than 20 per cent.

Thus many companies, which might otherwise be suitable for the buy-out treatment, do not come into contention. "The basic financing structure in Germany, with too high a debt and too little equity, is an obstruction as far as buy-outs are concerned," adds Mr Fanselow.

Some buy-out experts, in fact, reckon that a number of deals done in Germany, including Hausach, are not really buy-outs in the classic Anglo-Saxon sense, because the leveraging effect is too small. The two Hausach managers only received an initial 16⅔ per cent equity stake for the DM1m which they raised.

In the US or UK, they would probably have obtained more, since the rest of the financing would have been divided up differently between equity and debt. "It is astonishing sometimes how different people's interpretations of buy-outs are in Germany," feels Mr Johannes Drerup, general manager of LCB-Candover in Frankfurt. "There's been a lot of talk, but few real buy-outs."

While the buy-out field is by no means crowded yet, it is filling up. Also from the UK, 3i (Investors in Industry) has set up in Frankfurt. LCB-Candover is a partnership between UK buy-out specialist Candover Investments and London and Continental Bankers, a merchant bank in which Deutsche Genossenschaftsbank (DG Bank) has a majority holding.

"There is still a degree of ignorance in Germany about buy-outs," says Mr Roger Brooke, chief executive of Candover in the UK. But he sees no inherent reason why the notion should not catch on. "German managers are just as enthusiastic as British managers." In a country where private companies play such a big economic role, "there is a greater distinction between the steward and the lord of the manor, the salaried employee (manager) and the shareholder. Lots of excellent managers never think of owning shares."

However, a reverse situation can apply, where the family owners actively woo new management. Hence the concept of the buy-in, with experienced outside managers putting up cash and being financed to move into a new concern. "There are lots of companies where the owner seeks management talent," says Mr Matzen of Schroder in Hamburg.

Despite the increasing attention being paid to buy-ins, "you lose one big attraction of the buy-out", notes Count Friedrich von der Groeben, head of 3i in Frankfurt. "You don't have inside information." Managers coming from outside may be skilled, experienced, and perfectly capable of running the business, but it will take time for them to become acquainted with the business in a way that will benefit both them and investors.

LCB-Candover sees more potential for buy-outs and buy-ins among typical German family businesses, says Mr Drerup. While there is scope for buy-outs among subsidiaries of foreign companies, with good management already in place, big German concerns are often prepared to pay high prices if such an operation comes on the market, he adds. "It is often a policy decision of such a concern to buy market share at a high price."

All of those now in the German buy-out field say they are working on several deals, some potentially worth DM100m or more, so the scene looks set to become more lively. To promote the concept really, a few more significant, interesting and successful deals will be needed. For that, it will take time, both to do the deals and to assess their viability.

Andrew Fisher

Employee share ownership plans

Few schemes so far

BUY-OUTS in the UK have rarely involved the workforce - often deals have to be put together very fast and the extent of consultation needed for an employee scheme could take too long.

And executive share option schemes, which can, as the Burton example showed, be extremely lucrative for senior management, have gained acceptance much more easily than plans aimed at covering the entire workforce.

But the signs are that things could be changing. Wider share ownership is one of the few ideas to be accepted by all four main political parties. Even the Trades Union Congress this year recognized the need to take account of the growth in individual and worker share ownership schemes.

Motives may differ widely - the Conservatives seeing the schemes as entrenching capitalism through wider share ownership and the Labour party as a means to give workers influence in companies, and as a modern alternative to state control of industry. But the end result looks likely to be the same: employees will own more shares in their companies.

Britain has lagged well behind the US in this respect. Union leaders in the US were initially hostile to the concept of schemes designed to promote employee share ownership but as the early eighties recession took hold, some plans became weapons in the fight to save companies from bankruptcy. In 1984, an Esop (Employee share ownership plan) backed by four unions, made a bid for Frontier Airlines which was then close to collapse. Ironically, the bid failed and the airline was finally bought by People Express, itself an employee-owned corporation.

The Esop Association, a Washington-based pressure group, estimated earlier this year that the number of US schemes has grown from around 300 in 1974 to over 9,000 today. San Francisco investment banker and economist Louis O Kelso estimates that around 10m Americans or 8 per cent of the workforce have shares in the companies they work for and he predicts the figure could rise to 25 per cent of the workforce by the end of the century.

That progress has been less rapid in the UK is illustrated by the Stock Exchange's estimate, made in March, that 1.5m British people own shares in the companies they work for. But Unity Trust, the trade union backed financial services group, is promoting a model of the US Esop in the UK.

Unity established an advisory and consultancy body in April last year to help companies thinking of introducing employee ownership schemes. Shortly afterwards, Road Chef, the motorway service area operator, set up a fund on the Unity model.

The essence of a Unity Esop is an employee trust which borrows money from a bank in order to buy shares on behalf of the workers - with the loan guaranteed by the company itself. The good news for the company is that such a scheme provides new capital which can fund expansion or reduce gearing levels.

The company loan can then be repaid in a variety of ways. One possibility is for workers and management to agree a medium-term development plan which sets out targets for productivity and perhaps job creation in return for which the company makes bonus payments into the trust.

Esops, if correctly structured, bring tax advantages to the companies that establish them. Bonus payments to the scheme can be offset against corporation tax; the employees will pay no income tax on their shares provided that they hold on to them for at least five years. When staff leave, their shares can be bought back by the trust and used for the benefit of future employees.

So far, the number of fully-fledged Esops in the UK has been limited. Roadchef had been bought out by its management in 1983, and the ESOP route was chosen as a means of spreading the group's shareholder base without weakening overall control. At the suggestion of the General, Municipal and Boilermakers Union, the company approached Unity Trust.

Unity agreed to put up £350,000 of the finance towards the £850,000 needed to set up a trust fund of 325,000 shares, 12.25 per cent of the equity. The shares are issued to staff over five years on the basis of 100 shares for each year of service, with a minimum of three years service and a maximum of 1,000 shares.

At Hampshire-based Provincial Bus, 189 employees each invested £750. Their combined stake of over £140,000 triggered lending from Barclays Bank and from Unity to allow an Esop which then bought the group from the National Bus Company. Another scheme is being established at Coventry Press Works, a management and employee buy-out from Armstrong Equipment.

Unity believes that Esops offer the prospect of stable, long-term, employee shareholdings. Conventional share option schemes can effectively be disguised cash bonuses since employees frequently sell out and take their profits as soon as it is possible to do this.

The US definition of an Esop is much broader than the Unity model and covers everything from profit sharing from SAYE schemes. In Britain, the latter form of scheme is becomingly increasingly widespread. A Coopers & Lybrand survey published this year revealed that of Britain's 200 largest companies, 67 per cent have some form of SAYE share option scheme.

Philip Coggan

British Transport Advertising

Wall removed

IN MARKED contrast to the hullabaloo surrounding the flotation of Rolls Royce, British Airways and BAA, British Transport Advertising - formerly British Rail's poster advertising subsidiary - slipped almost unnoticed into the private sector earlier this year.

BTA's shares were not offered to the public at all, but were bought up by eight senior managers and a consortium of institutional investors. How much they paid has not been disclosed, but industry sources suggest that the company was valued at around £30m when the buy-out was completed at the end of September after lengthy negotiations.

Created by Act of Parliament in 1981, BTA's role was to sell advertising on behalf of the UK's nationalised industries and public utilities - including Associated British Ports and the British Waterways Board, as well as British Rail and the National Bus Company.

It now sells advertising for some 15,000 poster sites on British Rail stations, and a further 10,000 roadside sites on British Rail land, including four giant posters above the busiest road in Europe, London's Cromwell Road, where annual revenues exceed £100,000. It handles a further 15,000 posters on the sides of buses.

This gives BTA approximately 10 per cent of the UK poster advertising market and annual turnover of about £20m. Over half of this derives from the business with British Rail which has been safeguarded for the next five years.

Up until the buy-out, BTA was prohibited by law from undertaking work for the private sector and it was thus unable to compete with similar-sized companies such as MAI and Mills and Allen. Mr Gordon Sykes, head of the management team and BTA's finance director since 1973, is gratified that the company is now "freed from statutory constraint" and ready to expand into new markets.

"Liberation is, however, a double-edged sword," Mr Sykes adds. "Up until now, there has been a wall surrounding our area of business beyond which we weren't allowed to operate. On the other hand, our competitors weren't allowed to come within that wall. The wall has now been removed altogether."

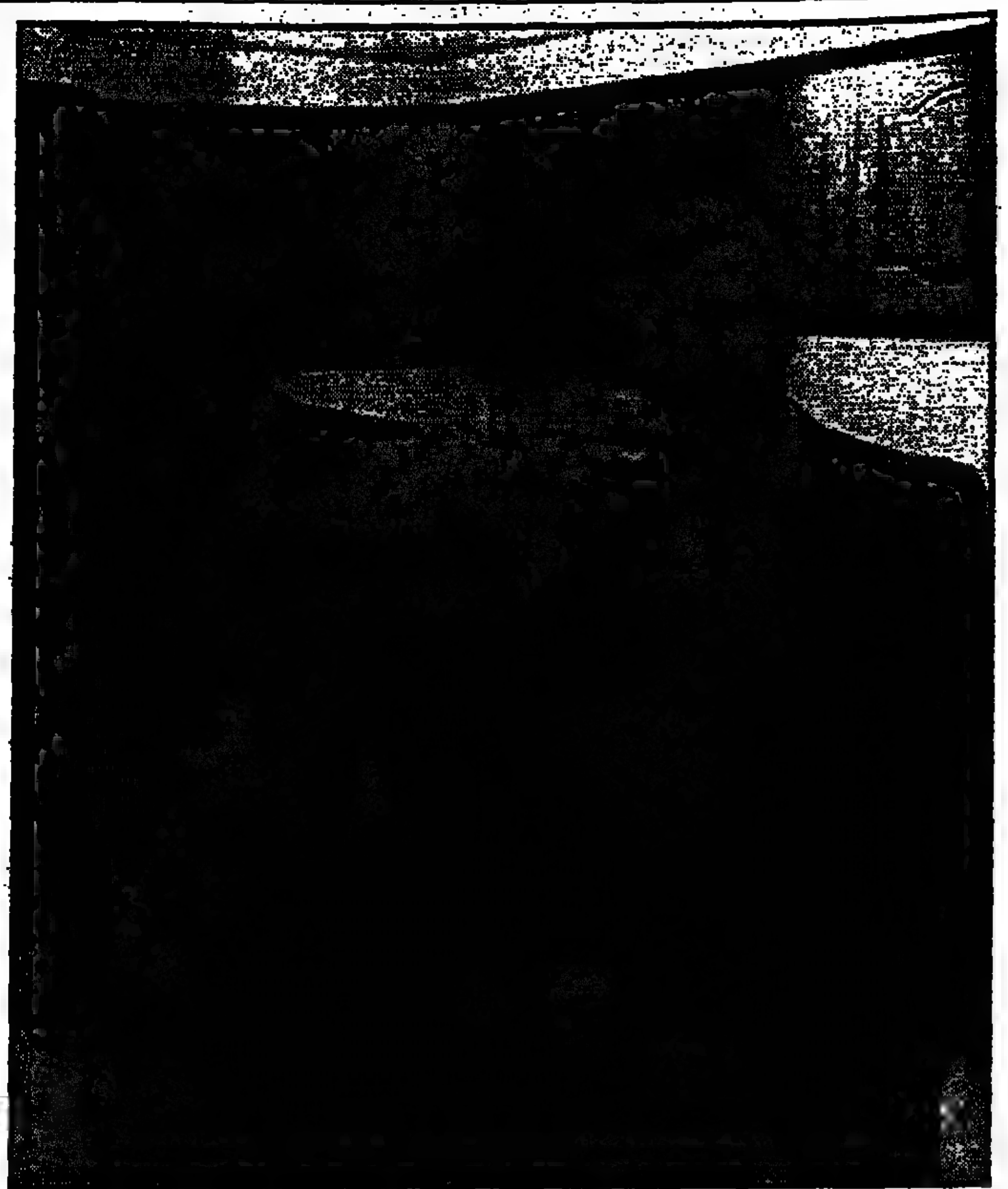
The trouble for BTA was that the privatisation of the NBC - a process initiated by the 1984 Transport Bill - and the gradual sell-off of much of British Rail's surplus land - left it with a dwindling amount of business which it was statutorily unable to recapture. It was this consideration, as much as a policy of promoting competition, that prompted the Government to put BTA out to tender.

The process was much complicated by the company's parentage - until only last year, it was owned jointly by the NBC and the British Railways Board. After it had been transferred to British Rail's exclusive ownership, offers were invited in earnest last Autumn. Mr Sykes estimates that the offer from the management had to compete with 10 other sealed offers, whittled down from some 50 preliminary enquiries.

Whether the offer from the management was the highest bid has not been disclosed. Nor have any of the specific details of the financing, arranged as it was by Midland Montagu Ventures, which has taken a minority stake in the newly-liberated company.

Mr Sykes and his colleagues see flotation as a possibility only in the long term. In the short term, they aim to concentrate on retaining bus business as more and more of the regional bus companies enter private hands - and on winning contracts with municipal bus companies.

David Waller



John O'Connell, managing director, (left); Derek Hunt, chairman and chief executive, MFI Furniture Group; Robert Smith, managing director, Charterhouse Development Capital

MFI buy-out

Four times record

BUY-OUTS leaped into the "serious money" league earlier this month when the managers of MFI, the furniture division of Asda-MFI, negotiated control of their company in a deal worth £715m - four times the previous record for a UK buy-out.

Just two years after Asda merged its food retailing activities with those of MFI, the stock market's growing disenchantment with the combined companies' performance prompted a renewed separation. MFI's profits had marked time around the £43m level since completion of the deal despite increases in turnover and in the sales space in its stores.

On October 5 MFI's management, headed by Mr Derek Hunt, the chairman, announced agreement had been reached on a buy-out of the company, to be renamed MFI Furniture Group. A consortium of City institutions provided the bulk of a £190m equity package, while an international banking group headed by Chemical Bank provided £485m of loans. In addition, the banks put up £35m of working capital.

With the institutions taking up nearly 60 per cent of the equity, the remainder was shared among Asda, which paid £52m to retain a 25 per cent stake in MFI; Mr Malcolm Healey, owner of Hygena, the fitted kitchens manufacturer which was acquired by MFI as part of the deal, with 10 per cent; Chemical Bank, which took 5 per cent in payment for an interest free loan; and the MFI management.

The deal involved an unusually large number of MFI managers. A total of 350 took an initial holding of 3 per cent, though this will increase to 10 per cent if targets are met, and up to 26.25 per cent if they are exceeded. The other shareholders will be scaled down to give the managers these extra shares. Individual commitments ranged from between £200 and £3,000 from store managers up to £80,000 from Mr Hunt.

The "ratchet" requires MFI to come to market within three years at a pre-determined value, though the buy-out team refused to say what the target was. If stock market conditions deteriorate to the extent that a flotation is not possible, their shareholding will be calculated on the basis of pre-tax profits.

The MFI deal (which easily exceeds the previous record buy-out of Lawson Mardon, BAT Industries' packaging business, for £173m in 1985) marks a watershed in the UK buy-out field, said Mr Robert Smith, who headed the team from Charterhouse Development Capital which negotiated the purchase.

"This deal shows that the £1bn buy-out is possible and can be financed in London," he said. Despite their growing popularity, buy-outs in the UK have trailed well behind their counterparts in the US in terms of size. Beatrice Industries holds the US record with a $6.2bn leveraged buy-out which has produced a series of large disposals in recent months.

The point has now been reached, however, when both management teams and the banks are familiar enough with the buy-out concept to attempt more ambitious transactions.

There was tough competition to lead the lending consortium from a total of six banks, including Standard Chartered and National Westminster in the UK, one Continental and two other US banks. But Chemical won on the flexiblity it was able to offer and the fact it could take the entire deal onto its booksbefore syndicating it out to other banks, Mr Smith said.

To ease the interest burden on MFI in its early years, Chemical is providing £50m worth of the lending interest-free for three years, and £155m interest-free for one year. Interest foregone on the £50m slice of the loan amounts to about £20m on a compound basis - for which Chemical will receive a 5 per cent equity stake.

While these interest holidays will be welcome to the MFI management the financial ratios of the deal are not oppressive. The £190m of equity set against £485m of term debt (repayable over 8½ years) is well within the usual UK ratio of 3 or 4:1.

The MFI management team faced competition for the company from a number of trade buyers but a buy-out had two special attractions for Asda. It allowed the food retailing group to retain a 25 per cent holding and also allowed the involvement of Mr Healey, who was bought out of Hygena for a mixture of cash, loans and a share stake in the new company.

The loan consortium comprised Charterhouse Bank, Banque Parisbas, Credit Agricole, The Industrial Bank of Japan, National Westminster Bank and Standard Chartered Bank.

The institutions providing equity for the deal were Charterhouse Management Buyout Fund, CIN Industrial Investments, Citicorp Venture Capital, Globe Investment Trust, ane MJH Nightingale.

The MFI deal means Charterhouse has arranged both the largest buy-out and buy-in in the UK - though when the purchase of the UK side of Woolworth from its US parent took place in 1982 for £310m in what would now be known as a buy-in, the term had yet to be applied to this sort of deal.

Charles Batchelor

Compass Group, at £160m one of the largest UK buy-outs, was created in June from the contract services division of Grand Metropolitan, which has been slimming down its diversified operations to concentrate on its consumer businesses.

Following the arrival of Mr Gerry Robinson as head of a new management team three years ago, the division had recovered from an overall loss to steadily increasing profits. Pre-tax profit is expected to rise to more than £16m on turnover of £270m in the year ended September 1987, from £10.2m profits on turnover of £231m the year before.

The five-man management team invested a total of £250,000 for a 6.5 per cent shareholding which may rise to about 20 per cent if they meet performance targets. The members of the team are: (standing left to right) Francis Mackay, Gerry Robinson, Richard Dickson and (seated; left to right) David Harris and Chris Bucknall.

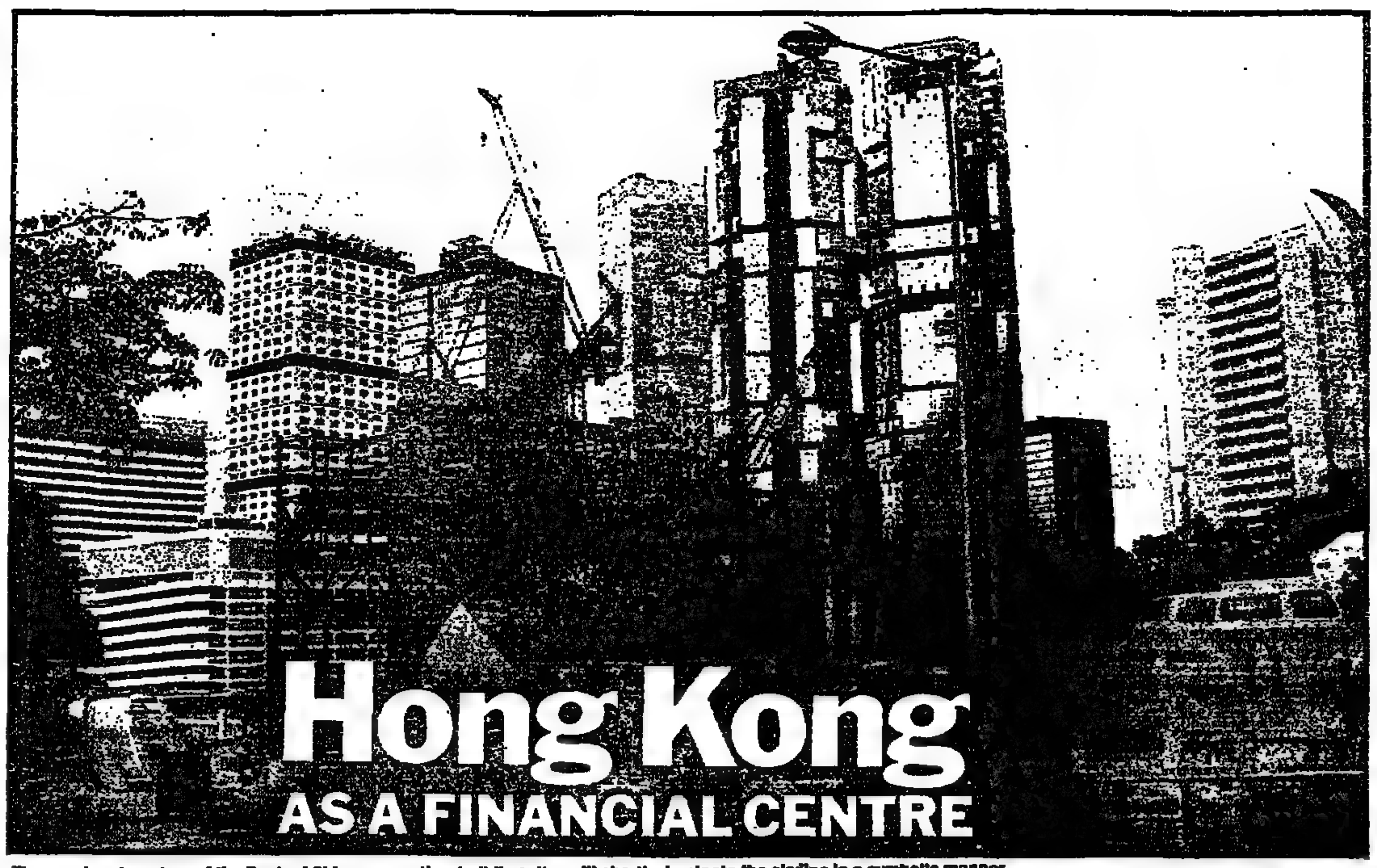
The rest of the capital structure, which was agreed on after eight weeks of negotiations led by 3i, comprises £30m of equity, £30m of preference shares, £50m of mezzanine debt and £55m of bank debt - a total of £165m which just exceeded the purchase price.

Factors in favour of a buy-out were the fact that the division was only half way through its recovery programme, which left continuing potential for growth; the nature of the contracting business as a powerful generator of cash; and the apparent desire of rival trade buyers to acquire only part of the business.

SECTION IV

FINANCIAL TIMES SURVEY

The decade before sovereignty reverts to Peking starts with an economic boom. It attracts different interpretations, as does the new headquarters of the Bank of China. Meanwhile, warns **David Dodwell**, prosperity veils world trade problems that have nothing to do with China.



The new headquarters of the Bank of China, currently a building site, will shortly dominate the skyline in a symbolic manner

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Decade of the dragon

THE BANK of China's new headquarters building, now emerging skyward from its foundations in Hong Kong's central financial district, will soon be towering over its neighbours - including the Hongkong and Shanghai Bank.

The dominating presence of the new headquarters is powerfully symbolic, as Chinese institutions in all sectors of Hong Kong's economy begin to play an increasingly noticeable role.

Leaving nothing to chance, the Bank of China's supposedly unsuperstitious directors are insisting that contractors have the first phase of the building ready by August 8 next year - *the eighth of the eighth, eighty-eight.* Needless to say, among the superstitious Hong Kong Chinese, the number eight is extremely auspicious.

The building says a lot about China's commitment to Hong Kong less than a decade before Peking regains sovereignty over the British territory - not only in terms of cash investment, but *also in its willingness to accommodate* whimsical local superstitions that are entirely at odds with the "scientific socialism" that is supposed to prevail over the Chinese border.

As local banks have, over the past year, competed for their share of fast-increasing retail banking business, none have been more aggressive than the Chinese "sister banks" that make up the Bank of China Group. They have acquired ailing *local banks, slashed* mortgage lending rates, and lent to industry on terms unacceptable to most other banks, in their bid for greater market share.

Some have seen this as evidence that mainland Chinese institutions are bent on "taking over" Hong Kong ahead of 1997. Others say the Chinese are only putting their money where their *mouths are, ensuring* confidence is maintained, and showing that they have faith in the territory's future.

The issue is symbolic in Hong Kong of an economic and political schizophrenia that makes it possible to interpret almost any set of facts in entirely contradictory ways.

Take Dr Ingo Walter, Profes*sor of Economics and Finance* at New York University's School of Business Administration, who said in Hong Kong early this year that the territory was "a manufacturing giant, but a financial dwarf", destined to become a satellite of the Tokyo market, rather like Zurich in relation to London.

For those who say Hong Kong is the world's fourth most important financial centre, *this is* a ferocious slap in the face. It is *a claim that also sits uncomfort*ably with the fact that Hong Kong boasts 154 licenced banks, and almost 300 licensed and registered deposit-taking companies.

Dr Walter's challenge appears to focus on Hong Kong's local retail banking market, where he says foreign banks "cannot compete", and on an in*terest rate cartel that guaran*tees local banks more generous interest rate spreads than almost anywhere else in the world.

In contrast to Dr Walter, take Mr Shijuro Ogata, deputy governor of the Japan Development Bank, who talked a month ago of Hong Kong and Tokyo serving together "as right ear and left ear" to *multinationals in the* Asia-Pacific region.

Arguing that Hong Kong's importance as a financial centre is unlikely to be undermined by Tokyo, he talked of qualities in Hong Kong "that cannot easily be found elsewhere, and for which we have admired Hong Kong so much".

He pointed to the free flow of goods, services and capital, efficient functioning of the price mechanism, prudent market *practice, innovative entrepre*neurship, a highly educated workforce, non-inflationary fiscal and monetary policies, stable exchange rates, a liberal tax system, political and social stability, a free flow of information, and an equitable legal system as factors cementing the territory's importance into the future.

"Last but not least," he said, "Hong Kong provides a rare combination of east and west - the marvellous harmony of neo-Confucianism from the east and laissez-faire from the west." One wonders whether Dr Walter and Mr Ogata are talking about the same place.

Take also the heated debate over political reform that has *simmered ever since the sign*ing in 1984 of the Sino-British joint declaration on Hong Kong's post-1997 future. A community committed to the Confucian philosophical ideal of consensus is irreconcilably split over political reform, and whether China should be regarded as a potentially malevolent force, from which Hong Kong has to be insulated, or a fast-liberalising economy in which Hong Kong can and *should play an emancipating* part.

There is more schizophrenia interpreting Hong Kong's current economic boom. Some hail double-digit economic growth (based on export growth of more than 30 per cent), non-existent unemployment, soaring corporate profits, and a stock market rising high into uncharted terri*tory as proof positive that the* colony is facing the future with unalloyed confidence.

Others say the boom has been fuelled by manufacturers who are urgently accumulating all the wealth they can before jumping ship ahead of 1997. They point to the steady exodus of Hong Kong families to Canada, Australia and the US, and *substantial overseas* investment, as evidence of local people preparing for the worst.

They say many of the recent flotations on the stock market are motivated by a desire to disinvest, allowing families that have, until now, had all of their wealth tied up in the family company to liquidate a portion of these funds - and invest them abroad - while the market remains buoyant.

Government officials are, not surprisingly, keen to staunch such a gloomy interpretation of an economic boom that is the envy of many countries worldwide. They do not dispute various sets of emigration statistics, but contend that emigration has been a normal state of affairs in Hong Kong almost since Britain took colonial control in 1842. They also say with justification that many of those emigrating tend to return two or three years later once their "bolt hole" has been secured.

In particular, they say the thousands of students who leave Hong Kong every year for further education in Canada, the US, Australia and the UK normally return after three years with skills they could never have acquired in Hong Kong.

A striking development which is only now beginning to be appreciated, and which throws doubt on some of the more extravagant claims of the doomsday theorists, is the remarkable scale on which Hong Kong industrialists have in recent years invested in mainland China, and transferred manufacturing operations there.

According to estimates gleaned from officials in municipalities in the Pearl River delta close to Hong Kong, and to evidence accumulated from individual manufacturers in the territory, more than a million people in Hong Kong's Chinese hinterland are now working exclusively for Hong Kong manufacturers - either in joint ventures, or processing goods for them. This means that more than half of Hong Kong's manufacturing workforce is now in mainland China.

Early claims that these investments were "patriotic tokens", intended to buy political insurance, rather than to make profits, now appear rather threadbare, since many of the territory's leading toy and electronic manufacturers have by now shifted their entire manufacturing operations into the mainland, retaining staff in Hong Kong for design work, quality control, and international marketing.

Despite the current economic boom, Hong Kong does have headaches that have little to do with China. Most serious is the threat of protectionism, and dependence on world trading forces that are outside the economy's control.

There is still concern that a weakened US presidency shifting into a presidential election year will be more than usually susceptible to protectionist lobbies that remain strong in both the senate and the Congress. But fears do not appear to be as great as they were even a year ago.

Hong Kong lobbyists in the US claim they are making progress in establishing Hong Kong as a "special case" in Asia, a model of free trade that can only be penalised by protectionist legislation at the expense of the US Administration's own credibility as an advocate of fair trade.

This explains in part why the US Administration has not exerted pressure in Hong Kong for the local currency to float upwards in value against the US unit - as has been the case with Korea and Taiwan, two of Hong Kong's fiercest competitors.

It has, nevertheless, been welcomed in government that Hong Kong's long-standing dependence on the US export market has been diluted as Hong Kong dollar-denominated exports have been increasingly competitively priced in Japan and Eu-

Continued on page 10

Mr Piers Jacobs: forecasts a budget surplus of HK$5bn

David Dodwell on the extraordinary surge in the economy

Exports fuel the locomotive

WHEN HONG Kong's half-yearly economic report was published recently, news that the Government had revised upwards its calculation of economic growth last year, from 8.7 per cent to 11 per cent, passed without elaboration, tucked into a statistical annex.

Anywhere else in the world, news that the economy had grown more than 25 per cent faster than previously realised would have been splashed under banner headlines across the front page of every local newspaper - as would the fact that this put Hong Kong among the world's fastest growing economies.

The locomotive force behind this growth - expected to reach 12 per cent in real terms this year, to make the second successive year of double-digit growth - is a remarkable export performance.

In the first half of this year, domestic exports grew by 27 per cent in real terms to HK$85.8bn, while re-exports leapt by 50 per cent to HK$80.1bn, reasserting the British territory's importance as an entrepot for China. Imports rose by 34 per cent in real terms to HK$172.0bn.

In his half-year review of Hong Kong's economic performance, Mr Piers Jacobs, the territory's Financial Secretary, forecast real growth this year in domestic exports of 20 per cent, with re-exports up 37 per cent.

This compares with earlier predictions of 7 per cent and 13 per cent for exports and re-exports respectively, and flies in the face of earlier government assumptions that supply constraints would put the brakes on economic growth over the course of the year. Provisional trade figures to the end of August show no evidence of brakes being applied.

To illustrate the boom, the Government can also point to negligible unemployment, order books full for many months ahead, booming corporate profits, rising wage levels, and inflation still held close to 6 per cent on an annualised basis.

"All these things point to an economy that is performing well," said Mr Jacobs, a man clearly not prone to hyperbole.

The factors hidden behind Hong Kong's extraordinary export figures offer interesting insights into the development of the economy. Strongest export growth has been recorded to China (up 69 per cent in value terms in the first half of this year, to HK$12.4bn), to Japan (up 71 per cent, to HK$4.1bn) and to West Germany (up 42 per cent, to HK$6.5bn).

One significant result of this has been that Hong Kong's long-standing dependence on the US export market has fallen sharply. The US remains Hong Kong's most important market, with sales of HK$32.2bn in the first half of this year, but this modest 16 per cent rise meant that it accounted for just 38 per cent of domestic exports in the six months to June, compared with 44 per cent in 1985.

The surge in both direct exports and re-exports to China, despite strict Chinese import controls, is a measure of the now widespread practice of Hong Kong manufacturers processing goods in the mainland. Raw materials and semi-finished manufactures accounted for the lion's share of exports to China, reflecting this cross-border processing business, with textile yarn and fabric alone accounting for 22 per cent of domestic exports to the mainland.

	1982	1983	1984	1985	1986	1987 forecast
Real GDP Growth (% from prev yr)	2.8	5.1	9.6	0.3	11.0	12.0
Inflation	10.6	9.9	8.5	3.4	2.2	6.0
Current Account Balance (US$m)	nil	−400	1,700	2,200	1,800	2,000
Exchange Rate: HK$ per US$	6.07	7.27	7.80	7.78	7.80	7.80
Trade Weighted Index (1971=100)	90	78	75	78	68	62
Real Trade Weight Ind (1971=100)	97	90	91	96	91	—

Source: NatWest Market Intelligence

The growth in exports to Japan and West Germany arises directly from the sharp depreciation of the Hong Kong dollar against the yen and Deutsche Mark over the past 18 months. This depreciation, which results from the Government's unflinching commitment to linking the local currency to the declining US dollar, has made many Hong Kong products more than 40 per cent cheaper in Europe or Japan than they were a year ago.

This competitive boost has been enhanced by the rise in value of the South Korean and Taiwanese currencies over the past year, which has given Hong Kong industrialists windfall price advantages over their counterparts in Taiwan or Korea.

The surge in Hong Kong's imports not only reflects the hectic activity of local industry, which needs to import most of its raw materials, but also Hong Kong's increasingly important role as a staging post for imports to China.

Hong Kong's main supplier remains mainland China, and since the Chinese currency has fallen in US dollar terms, the inflationary consequences that many countries worldwide would have felt as a result of allowing their currency to fall with the US unit have been greatly diluted.

Japan remains a leading supplier, but the efforts of Japanese manufacturers to maintain their market share as suppliers to Hong Kong industry have meant that the yen cost of imports has not risen in line with the Hong Kong dollar's depreciation. This has again helped to staunch inflationary forces in the economy.

The Government says inflation currently stands at about 5.4 per cent on an annualised basis, and will rise to about 6 per cent by the end of the year. While there is no apparant alarm over the current inflationary trend, there must be some concern that Hong Kong's inflation is now higher than all of its trading partners except Australia.

Another inevitable price being paid for such hectic economic growth is an acute labour shortage in a number of sectors of the economy. Unemployment is at an historic low of 1.8 per cent, and the labour squeeze has led to wage increases averaging 8 per cent in real terms in most sectors of the economy.

The Hong Kong Federation of Industry claimed last month, in a letter to the head of Hong Kong's civil service, that textile and clothing industries were short of about 80,000 workers. Worst hit were cotton spinning and weaving factories, they said, where shortages had forced up monthly salaries by about 25 per cent.

The federation disputes government arguments that the shortage ought to provide impetus for technological upgrading and the purchase of labour-saving machinery. It has also been reluctant to swallow arguments that higher wages were not unacceptable, giving workers an opportunity to benefit from a boom that has seen corporate profits commonly soaring by between 50 and 150 per cent this year.

The federation has called on the Government to allow the import of workers from China and South-east Asia to ease labour shortages, but has found its proposals cold shouldered by the Government.

In the words of one local economist: "Apart from the immense practical difficulties attached to all of the federation's suggestions, the Government thinks this is going to be short term, and is reluctant to be committed to long term solutions that it might not want to afford in the long term."

Government officials also argue that acutest shortages are for skilled, rather than unskilled, workers - and these are in short supply in every country in the region.

Many in government would say that the labour squeeze is far from unwelcome. In an economy where market forces are expected to the final arbitors of economic development, they had hoped that such supply constraints would have started to put the brakes on runaway growth, eliminating the need for any administered restraints.

"We were expecting the squeeze to start showing at the beginning of the year, but it didn't happen," said one government economist. He said government officials had underestimated the extent to which local manufacturers could exploit mainland China's labour resources to sustain their export gains.

The manufacturing sector is not the only one in the economy to benefit from - and to face the problems arising from - such rapid growth. The construction industry, moribund since the collapse of the local property market in 1983, has seen a rapid recovery, but has at the same time suffered labour shortages as acute as any in the territory.

Tourism earnings have also soared. In 1986, a record 3.7m visitors arrived in Hong Kong, spending an estimated HK$17bn. Visitor arrivals in the first half of this year rose by a further 22.5 per cent, according to statistics released last month.

This has made Hong Kong's hotels among the most profitable in the world, with average occupancy levels of 85 per cent.

The trade boom has put the local container port at full stretch, and has brought a blush back to the cheeks of most local banks, which traditionally depend for much of their business on trade finance.

Banks have also benefited from resurgent confidence in the property sector, where lending for home loans has risen strongly. Property prices have not yet risen to the giddy levels of 1982, but are rising strongly nevertheless.

The local stock market has also boomed, with share prices at record high levels, and daily market turnover averaging more than HK$2bn - compared with less than HK$200m just 18 months ago.

While stockbrokers and banks have been primary beneficiaries of this stock market boom, the Government has also received a shot in the arm as stamp duties on securities trading have risen to record levels. Mr Jacobs now forecasts a budget surplus of HK$5bn, and has the enviable problem of trying to trim this surplus without fuelling the present boom.

A problem it may be, but one imagines that many finance ministers worldwide would happily take it on in exchange for the problems their own economies face.

The new Bond Centre is nearing completion

The rate of activity on the Stock Exchange has been as notable as the climb of the Hang Seng Index

Bulls in control despite fears of inflation

IT HAS been an extraordinary year for the Stock Exchange of Hong Kong, which has celebrated its unification and modernisation in 1986 by continuing and intensifying a remarkable bull run.

Starting the year at around 2,500, the Hang Seng Index of 33 leading stocks surged to nearly 3,000 by February, retreated erratically until the end of April, and then embarked upon a sustained climb that took it to almost 4,000 by the end of September.

Just as notable has been the rate of activity on the exchange. After HK$15bn in July and HK$40bn in August, turnover reached HK$60bn in September, about five times the level of the corresponding month in 1986.

Even at these higher levels, local investors remain bullish. They point out that the Hong Kong market is well supported by fundamentals, with company profits rising rapidly and economic growth probably heading for the 12-14 per cent range for 1987.

"The market basically wants to go up," says Mr Duncan Mount, a top fund manager at Gartmore. "And it is not expensive, relatively. I think the market will trade up to a 20 p/e level." This could take the Hang Seng to 5,000 by the middle of next year.

Stock Market Flotations HK

	Number of flotations	Capital raised (HK$m)
1981	12	3,336
1982	2	75
1983	4	419
1984	8	1,048
1985	5	747
1986	8	2,041
1987 (8 months)	15	2,795

Source: Wardley Corporation Finance

A rapid growth in credit has fuelled the stock market boom. The various measures of the money supply have been showing growth of the order of 25 per cent this year, and because the Government has chosen to peg the Hong Kong dollar to the US dollar it does not have much scope for an independent monetary policy.

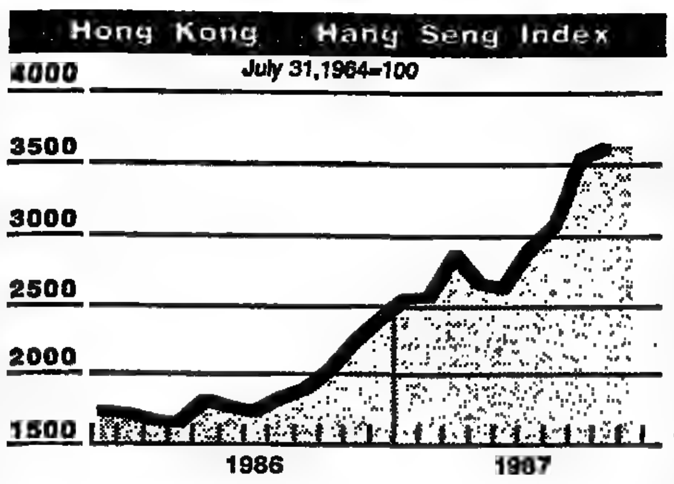
With an undervalued currency, a huge pool of liquidity and rapid economic growth, Hong Kong is producing the classic conditions for a stock market boom. Inflation is a worry, with fears that it could race away into double digits within the next few months. But right now the bulls are in control.

Hong Kong has had stock market booms before, but the character of this one is rather different from the speculative sprees of the 1970s.

Today's equity market is much less an arena for local punters, as it used to be, and much more of an institutional and international market. Part of the more speculative trading has been diverted to the futures market, where the Hang Seng contract has been spectacularly successful.

Local private investors probably still account for 50 cent of the business, but Chinese investors are these days very much concerned to diversify their assets geographically - one reason why international unit trusts have been in strong demand.

Several of the big British brokers have arrived in force, adding to the longer established foreign institutional firms such as Vickers da Costa and Wico. "Hong Kong's reputation as a cowboy's market is unjustified," claims Mr Carlton Poon, research director of James Capel. "It's no more volatile than many other world markets." But he admits: "It's a small town and rumours can fly around quickly."



On one estimate, the UK brokers now account for 40 per cent of local market business, and have developed a powerful clientele around the world, providing institutional fund managers with diversification and a taste of an exciting, fastgrowing Pacific Rim market.

"By applying international investment techniques one can discover a lot more value than in the more mature markets of the US or the UK," suggests Mr Timothy Beardson, managing director of Crosby Securities, a relatively new firm which provides a research-based agency service.

The stock market boom has attracted an unprecedented number of capital-raising exercises, to the extent that some analysts have been concerned about the market's ability to absorb all the paper. Yet even the huge HK$10bn rights issues by Cheung Kong and its associates in September only caused the market to pause for a few days.

According to research by Jardine Fleming, well over HK$40bn has been raised through the Hong Kong equity market so far in 1987, compared with an annual average of a mere HK$4bn during the previous five years.

The market's ability to absorb these issues can be attributed to the high level of liquidity in Hong Kong, and also to the strong inflow of foreign institutional money.

The new-issue boom has resulted in a lengthy queue of pending flotations, which generally speaking raise little money compared with rights issues and placings involving already listed stocks, but which add colour to the market.

Companies are said to be queueing until next summer for flotations, which are spaced out at a rate of two or three a month. But the sheer popularity of these offers, which usually attract huge oversubscriptions, is causing problems.

Hong Kong Stock Market

	Total money raised (HK$bn)
1980	5.5
1981	9.8
1982	1.7
1983	1.1
1984	2.5
1985	2.5
1986	11.1
1987 (8½ months)	44.3

Source. Jardine Fleming

The Stock Exchange is coming under pressure to modify its unusual policy of insisting on having the final say on pricing itself, in many cases overruling a merchant bank's preferred price.

The extreme case was the flotation in August this year of Oriental Press, when a HK$254m issue attracted applications for HK$70bn. In cases like this, the sponsoring merchant banks can be bitter at the Stock Exchange's policy of forcing them to float top quality companies on modest, unselective ratings.

Moreover the frenzy of speculation has attracted the criticism of Mr David Nendick, Hong Kong's Secretary for Monetary Affairs. He commented that the Oriental Press subscriptions amounted to HK$11,000 for every man, woman and child in the territory, producing a level of borrowing which disrupted the money supply and generated a high risk of fraud.

Mr Ronald Li, chairman of the Stock Exchange, deflects any criticism on to the banks for extending too much credit. He also attacks new-issue sponsors for attempting to overprice their offers. "There is a temptation for merchant banks to push to the limit in order to maximise their remuneration," he suggests.

But with more than 30 in the queue for flotation, the companies, at least, must be satisfied with the Stock Exchange's methods, he argues.

His main justification for the role of the Stock Exchange in fixing issue prices, however, is that the public would blame the exchange rather than the particular sponsor of the offer if it failed. The exchange is therefore determined to ensure that the issues go with a swing.

Barry Riley

Securities

Regulation in focus again

THE BOOM-and-bust cycle is built into Hong Kong's securities industry. Just now the equity market (though not the fixed interest market) is very much in a bullish phase, having shaken off the political nervousness that afflicted it between 1982 and 1984. But can the bust be far away?

The Hong Kong Stock Exchange is a crucial institution, for it can funnel capital into mainland China in a way that Hong Kong's less robust debt markets seem unable to achieve, at least for the time being.

So far this year more than HK$40bn (over US$5bn) has been raised on the stock market, an unprecedented figure, and one which reflects, at least in part, the big investments being made by Hong Kong over the border. It may also reflect, however, the desire of some companies to diversify their interests outside China.

The installation of a new trading system in the unified Stock Exchange in April 1986 turns out to have been well executed and impeccably timed.

The system has been coping well with booming volumes which in money terms have recently been running at 10 times the initial level 18 months ago. But, says the exchange's chairman Mr Ronald Li, this, together with the influx of foreign firms to Hong Kong, has put a strain on his member firms' personnel.

Meanwhile, the settlement side of the exchange, which has not been modernised, has been creaking badly. The archaic next day settlement system is generating a blizzard of paper and is infuriating foreign brokers who have no way of getting money out of European or North American clients within 24 hours.

The plan is to set up a central clearing system, involving a book entry central depository. Settlement would probably be on an internationally compatible seven-day basis. "But it is not a straightforward thing you can do overnight," warns Mr Li. For instance, it would require legislative changes, such as a provision for exemption from stamp duty.

The Hong Kong Exchange is now installed in ultra-modern buildings, and has done a great deal to shake off its one- time cowboy image. But it remains a colourful place, not at all in the mould of, say, the tightly regulated US exchanges.

The Securities Commission is now grappling with proposals to upgrade regulation to a level more in line with best practice in the US and Europe. Several years ago a Takeover Code was introduced, but in fact contested takeovers have been few and far between recently. Now the focus is on areas like disclosure of dealings and the control of insider trading.

A standing committee on company law reform has been split on whether insider trading should be criminalised. At present, allegations of insider dealing are investigated by a tribunal which does little more than rebuke those found guilty. The committee voted 10:7 against making insider trading a crime, but the powers of the tribunal may be beefed up, to the extent that it could, for example, impose "fines" amounting to several times any illicit gains.

On disclosure, there are proposals to force shareholders to publish their stakes when they reach 10 per cent, a rather less onerous requirement than the 5 per cent level notification which is the law in the UK. The challenge here will be to pierce the veil of Hong Kong's innumerable nominee shareholdings.

Elsewhere, the Government is considering the exchange's request to set up a second tier market. The exchange submitted a lengthy report in May, and awaits a reply.

According to Mr Ronald Li, nearly 200 private companies have expressed interest in the possibility of going on to a second tier market.

Under the proposals of the exchange the second tier companies would be able to float with a market capitalisation of HK$20m and a two-year track record, against HK$50m and five years for the main market, where around 270 companies are now listed. But reporting standards would be maintained on the second tier, and venture capital projects would not be eligible.

The upgrading of securities industry standards is an awkward process in Hong Kong, complicated by clashes between Eastern and Western cultures, and overshadowed by the political implications of 1997. Although the Government in theory has extensive powers, it is reluctant to use them to the full.

However, the internationalisation of the Hong Kong securities industry is causing new attitudes to be adopted. To attract big institutional investors from around the world Hong Kong needs to show that it is regulated in accordance with up-to-date standards.

Not only foreign investors but also foreign brokers have become strongly in evidence in Hong Kong. A substantial number of British brokers are members of the exchange, and are active in Hong Kong stocks, and several American and Japanese securities firms provide a local service to Hong Kong investors in US and Japanese stocks.

The next step could be that an American broker will join the Hong Kong Exchange. The first is likely to be Merrill Lynch, which already uses Hong Kong as a staging post in its 24-hour global equity trading business.

With the boom in business levels the cost of a seat in Hong Kong is rising. Nevertheless Merrill does not expect to pay more than US$100,000, which may be nearly 16 times as much as when the new exchange opened last year, but which compares very favourably with the US$5bn which would be charged in Tokyo.

Americans with Hong Kong membership will clearly be more determined to sell the leading local stocks to their US clients, and indeed there is already 24-hour trading by Merrill in a small number of Hong Kong equities.

American investment institutions are seen as being potentially very big buyers of Hong Kong stocks. Mr Ronald Li has this month been leading road show to the US to help familiarise US fund managers with the Hong Kong scene.

"People abroad know only about our top 10 issues," says Mr Li. "I don't think that is very fair knowledge." So the Stock Exchange invited 300 top New York investors and securities dealers to a special lunch, and in a wider publicity venture it will be distributing 10,000 copies of a booklet globally.

If the Hong Kong securities industry can build a broader and more international investor base, perhaps the stock market can leave its volatile past behind it, and look forward to a more stable future.

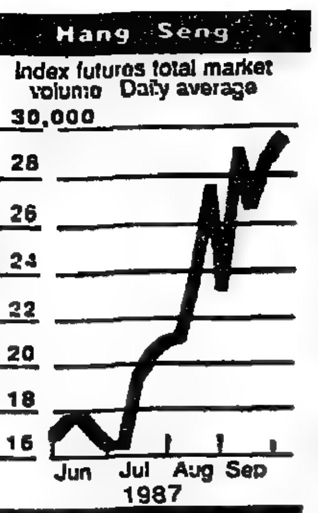
Barry Riley

The futures market

Second to the US

THE SPECTACULAR success of the Hang Seng Index (HSI) futures contract, introduced by the Hong Kong Futures Exchange (HKFE) in May last year, has shocked even its most ardent supporters.

Turnover has surged more than 14-fold, from a first-month daily average of 1,635 contracts, to more than 24,000 a day in August. In less than 18 months, HSI futures have in terms of volume become the most popular stock index futures outside the US.



The contract is based on HK$50 per index point, and is worth HK$180,000 with the index currently at about 3,800. The minimum margin on contracts required from customers was in August raised to HK$15,000, from HK$12,000.

But it has not been plain sailing all the way. It became apparent earlier this year that some heavyweight investors were manipulating HSI stock prices during late trading on settlement days.

As a consequence, a new system for determining the HSI's closing price is to be introduced at the end of this month. Replacing the HSI's closing price, as the basis for settlement of futures contracts, will be an average of 42 index readings taken on the settlement day.

Dr Kim Cham, HKFE chairman, says there was a danger that eleventh-hour manipulation of stock prices, which became known here as the "witching hour", would "scare off" some investors. He adds that the new settlement method is "in the long term interest of the market", and will protect its integrity.

A number of traders do not agree, and feel the new system causes more problems than it solves. Mr Miles Geldard, of James Capel, says of futures check: "If you have sold futures to hedge a portfolio of stocks, it's not much use if you have a future that expires on an average price during what might well be a very volatile day. You want a hedge that matches the closing prices of your shares."

The new system will also make life more difficult for arbitrageurs, says Mr Geldard. "It adds a great deal of uncertainity for an arbitrageur. If he wants to liquidate on the expiry day, he will now have to liquidate all through the day at very even intervals, in order to come close to reaching equality with the settlement price."

Futures traders argue that, as the problem was with trading of stocks on the cash market, reform should have been aimed at halting the late manipulation of share prices. Mr Geldard says: "The attention it drew to the inherent problems of the stock exchange was very valuable."

In Hong Kong, investors in the stock market cannot deal beyond the published bid and offer prices at the close of trading, but they can compete for the last trade of the day. This is the crux of the problem, say the futures men, because between five and 10 points' movement on the HSI was being effected in late trading early in the year.

Traders expect the new system to have a damaging impact, but feel the enormous success of HSI futures will enable the market to absorb any setbacks comfortably.

Liquidity on the local stock market has sharply increased since the introduction of stock index futures. Daily turnover of HK$500m was considered healthy early in 1986, but it now regularly tops HK$3bn. Futures traders say their contract has a fundamental influence on trading patterns, and advise all investors to be aware of the HSI contract even if they don't actively participate.

They say US institutions have led overseas participation. Singapore traders are also active, while Japanese and British concerns have shown an initial shyness. Mr Geldard says UK institutions are "beginning to test the waters", and he thinks that before long "quite a number" will be using HSI futures.

Buoyed by the success of the HSI futures, the HKFE announced last month that it planned to introduce a 90-day HK$ interest rate futures contract in early December. The HK$1m contract will be traded on the spot month, and two consecutive months.

A unit contract price of HK$24.65 for a 0.01 per cent interest rate movement is to be used. There will be an initial margin of HK$5,000, and a maintenance margin of HK$3,500.

Dr Cham says 90 of the exchange's 130 members have shown interest in trading this new contract. He feels it will appeal mainly to banks, and to institutions using it to hedge funding requirements; and he sees the new contract diversifying trading activity on the HKFE, which otherwise trades only commodity futures. He says the HK$ interest rate contract is a counter-cyclical instrument for the exchange, in that future upward movement of interest rates could stem activity on the stock market, and by extension HSI futures.

The interest rate contract would then become more active, and could perhaps offset to some degree lower volumes for HSI futures trading.

Traders expect the contract to be widely used by banks, because of the inherent volatility of local interest rates. The local currency is pegged to the US dollar at US$1 to HK$7.80. Upward or downward pressure on the local currency is thus equalised by interest rate adjustments.

Another move to diversify market activity is the proposed introduction of an associated membership category. Approved in principle by government, the exchange now awaits the green light. Up to 300 associates will be admitted. They will trade through floor members, a move that will help relieve current pressure on trading-floor space.

Further down the line will follow a Eurodollar interest rate contract, and US dollar-yen and US dollar-Deutschemark currency futures. A firm timetable for their introduction has not been set. Dr Cham says these contracts will be examined after the introducton of the HK$ 90-day interest rate contract.

Kevin Hamlin

Forget about 1997, it's as safe as Jersey

Unit trusts

Chinese warm to a new concept

SUDDENLY THE financial pages of Hong Kong newspapers are full of advertisements for unit trusts. So many are being launched that the resources of the Securities Commission have come under heavy pressure and the queue for authorisation now stretches out four months or more.

Recently the waiting list of trusts for authorisation numbers more than 70, though that is probably an exceptionally high total, because of the imminence of the colony's Money 87 exhibition, scheduled for late October, which has prompted a rush of newcomers.

To pay for extra staff, the Commission is proposing to levy charges on unit trusts for the first time, of HK$15,000 on application and HK$2,700 annually.

This could have the effect of shaking out a few trusts which are authorised in Hong Kong but are not actively marketed there. Nevertheless the current 250 or so authorised trusts seem set to increase further in numbers as the new applications are processed.

According to Mr Stuart Leckie, of the Wyatt Company, actuaries and consultants, authorised unit trust funds aggregated some US$13bn in July.

Because many of these trusts are marketed around the world, it is impossible to say with any precision how much of this wealth relates to Hong Kong residents. But it is clear that the Chinese population, in particular, has taken up the unit trust concept for the first time, and with a considerable degree of enthusiasm.

Originally unit trusts were sold in a small way to locally based expatriates, and Hong Kong was part of the broad global network of offshore investment. Chinese investors preferred to punt directly in the Hong Kong stock market.

But the Sino-British agreement and the boom in stock markets worldwide appear to have changed that attitude. A desire for geographical diversification has become evident, and unit trusts have proved attractive vehicles for investing outside Hong Kong.

Mr Alan Smith: but local trusts don't excite them

Unit trusts

	No of authorised funds	Market value of assets (US$bn)
end—1979	80	1.0
end—1982	120	3.9
end—1985	170	7.3
mid—1987	240	13.0

Source: The Wyatt Co.

Chinese investors are not very interested in local specialist trusts, however. According to Mr Alan Smith, managing director of Jardine Fleming: "The fund we sell least of is our Hong Kong trust."

JF, probably the biggest operator in the field, running unit trusts worth US$2bn, broke new ground in August this year by opening a unit trust shop on a lower floor of its Central district skyscraper headquarters.

Its rival merchant bank Wardley has been fairly slow to develop into unit trusts, perhaps through a reluctance to compete with the deposit-gathering objectives of its parent, the Hongkong Bank: its unit trust operation is only about a tenth as large as JF's. However, Wardley is now set to retaliate by opening up a specific unit trust sales area within the head office of its parent.

Mr Nigel Tulloch, managing director of Wardley Investment Services, emphasises the appeal of geographical spread which has finally overcome the damage done to the image of unit trusts in Hong Kong by the excesses of Bernie Cornfeld and his Investors Overseas Services Group in the late 1960s. "It has become possible to sell unit trusts to the general public in a big way," he says.

Mr Duncan Mount, managing director of Gartmore, a subsidiary of the UK-based British & Commonwealth Group, is one of the best-known Hong Kong fund managers. Gartmore now runs Hong Kong authorised unit trusts worth US$400m, and an indication of the scale of the current boom is that Gartmore's intake of funds has jumped tenfold over the past year, to a current rate of between US$3m and US$6m a week, largely pulled off the page by advertisements in three newspapers.

"We estimate that 85 to 90 per cent of the new money is coming from local Chinese individuals," he says. The big seller is a Fund of Funds, which alone accounts for US$160m of the money being managed.

So far the foreign-owned investment management groups have controlled the unit trust industry, but Chinese banks are now moving in. The first Chinese-sponsored funds - the Nan Po World Growth Fund and World Income Fund - are being launched this month by Nan Yang Bank. Curiously, Nan Yang is part of the Bank of China group, and the decision of stockbroker James Capel, an autonomous subsidiary of the Hongkong Bank, to manage the Nan Yang funds on a joint venture basis has raised a few eyebrows locally.

But despite the implied mainland approval provided by these communist unit trusts, political uncertainty remains a key element in the development of unit trusts in Hong Kong.

The 1997 factor has implications for the structure of locally registered unit trusts. Increasingly, the concept of a "successor trustee" is being adopted, so that if, say, the Hongkong Bank is trustee for a fund, an offshore associate of the bank in, say, Jersey, Bermuda or Luxembourg will be nominated to take over should the Hong Kong trustee become ineffective for political reasons.

For this reason, local unit trust managers argue that Hong Kong is in practice just as secure a base for a fund as, say, Jersey.

According to Mr Peter Pearson, managing director of Fidelity International in Hong Kong, trusts can be established for half what it costs in Jersey, and there is good co-operation between the Government and the unit trust industry. There has been not a single rogue trust in the colony since 1973.

"Investors' money is safe," he declares, but he admits: "We don't like talking about 1997 all that much."

Barry Riley

With no foreign exchange controls and minimal tax burdens, fund managers find the territory an excellent regional hub

Money flows two ways as residents diversify

FOR A centre that had no professional fund management capability until the founding of Jardine Fleming in 1970, Hong Kong has come a long way.

Jardine Fleming has retained its head start, and has US$5.7bn under management, but it is now just one of around 60 fund-management operations in the territory. Other leaders include Wardley, which manages US$7bn worldwide, and Schroders Asia.

According to the Wyatt Company, which monitors investment funds within Hong Kong, the main institutional sources of funds are the pension funds - worth perhaps US$7bn - and the unit trusts, with authorised funds estimated to be worth US$13bn last July.

However, this does not count a possibly substantial volume of money managed locally for foreigners: indeed, JF was originally established as a partnership with the London merchant bank Robert Fleming, in order to handle European money coming into the Far East.

Hong Kong remains a highly attractive centre from which to survey the far eastern scene. "The ethos of the place is much more international than anywhere else," says Mr Alan Smith, JF's managing director. "We have a critical mass of fund managers. And it is an exciting place to be."

"People in, say, London read news which is London-focused," he argues. "There is a much greater openness of thinking in Hong Kong - we don't feel that we are living in the most important place. In a period when international markets have been moving strongly, Hong Kong has an advantage over many other places."

According to Mr James Filmer Wilson, chairman of Gartmore in Hong Kong, the territory "feels the pulse of the Far East". It does this, he thinks, better than Tokyo, which suffers from the high costs and introspection of a major financial centre.

Tokyo is fine for individual expatriates, he thinks, but marriage makes a difference. "It's very difficult keeping a family happy in Tokyo for more than a couple of years," he says.

The Japanese capital is, of course, vastly bigger as an asset management centre - funds of something like US$250m are managed there - but there are severe restrictions on the business that can be done (though a new, more liberal fund management licensing system has been introduced this year) and costs are astronomic.

Many foreign fund managers feel they have to be in Tokyo, almost whatever the immediate expense. But their objective is to position themselves to gain Japanese institutional business rather than to use Tokyo as an international investment centre.

Significantly, most investment management groups tend to designate their Hong Kong office as their Asian headquarters, but to operate a quite separate Japanese branch in Tokyo.

At Thornton Management (Asia), Mr Jim Mellon, the managing directors, complains of the impact of the booming markets and exploding economy, which are making it hard to recruit both professional fund managers and administrative staff. "There is absolutely no one around with any experience," he complains. "If you train them they will go away to the highest bidder."

Although Thornton is UK-controlled it is notable for having chosen Hong Kong as the location for its biggest office, offering the best coverage of markets throughout the Asia-Pacific region.

Thornton is small; but one of the biggest international mutual fund groups, Fidelity, is also strongly established in Hong Kong. "The other regional countries are hopelessly enmeshed in red tape," says Mr. Peter Pearson, Fidelity's managing director in Hong Kong.

But *Hong Kong* is an *excellent* regional hub. Communications are good, there is plenty of expertise in computer systems, and English is widely spoken.

And the Government has a positive attitude to fund management: there are no foreign exchange controls, and only minimal burdens from tax and other charges (though the Securities Commission, buried by a landslide of applications for authorisation, is about to impose charges on unit trusts).

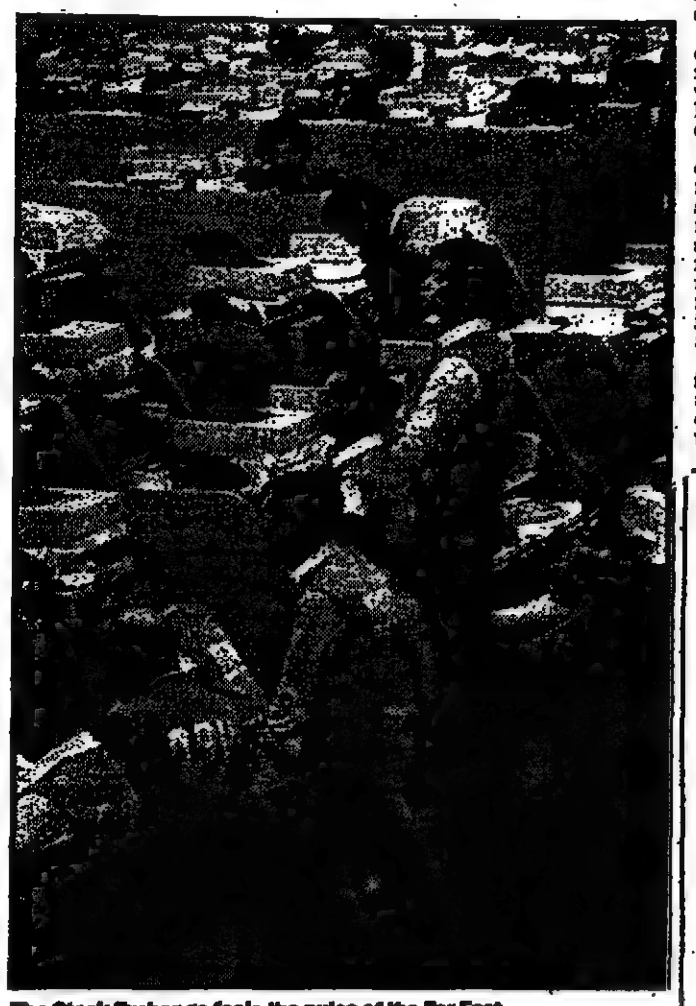
All the same, he admits that the territory has the disadvantage of lack of proximity to major European and American markets - for example it is an awkward 12 hours away, in terms of time zone, from Fidelity's headquarters in Boston.

One feature of Hong Kong for the international fund manager is the existence of a strong two-way flow of money. Hong Kong residents are diversifying their investments - mostly elsewhere in the Asia Pacific region, but also to some extent in North America and Europe - and at the same time many foreign institutions are buying into Hong Kong's attractive companies, often on the China Gateway argument now that the increasing level of trade with the mainland is visibly boosting Hong Kong's economy.

According to James Filmer Wilson, of Gartmore: "Any pension fund anywhere in the world which is in a position to invest on an international basis should certainly have at least 2 per cent in Hong Kong."

Barry Riley

The ethos is international



The Stock Exchange feels the pulse of the Far East

China funds

Punting over the frontier

WITH NAMES like Octopus, Little Dragons, Kangaroo, and Tiger arriving on the Hong Kong unit trust scene in recent years, it is hardly surprising that a number of companies have set up investment vehicles aimed at capitalising on China's economic reforms.

Thornton Management's Hong Kong and China Gateway Fund (HKCGF) and Baring International's China and Eastern Investment Trust (CEIT) both claim to provide investors with the opportunity to buy a piece of China's rapid development.

But critics say these funds are marketing gimmicks, aimed at inducing naive investors to part with their money. The funds, which have most of their investments in companies based outside China, are little more than Hong Kong funds dressed up as "China plays", says one Hong Kong analyst.

Mr David Harding, a Thornton director, says such arguments miss the whole point of investment in China. "Our argument is that you don't really want to be directly invested in China, anyway. That's a mug's game," he says.

The US$35m HKCGF has about 4 per cent of its assets in companies that are directly invested in China, and another 5 to 10 per cent in companies that have a large portion of business activities related to China. The remainder is in Hong Kong stocks.

"The aim of the fund is purely to invest in companies that benefit from China. They don't actually have to be doing business with China to be benefiting from China," says Mr Harding.

He describes Hong Kong as "a warrant on China", and points to the general benefits that companies such as Hutchison Whampoa have derived from China's modernisation.

The huge increase in trade between Hong Kong and China has seen enormous growth in imports and exports, which in turn have benefited the group's container terminals, says Mr Harding.

Baring's CEIT, a closed-ended vehicle listed on the Hong Kong and London stock exchanges, has a similar philosophy. "Our policy is to invest in businesses which are China-related, which have a predominant weighting within their businesses towards China," says a spokesman.

Direct investments in China account for some 10 per cent of CEIT's roughly US$44m of assets. The remainder is predominantly in Hong Kong companies with China-related business, and a portion of assets are in similar Japanese companies.

The performance of these two trusts has been strong in the last year, with Thornton's HKCGF providing unit holders with a 95.3 per cent increase on their investments. Baring's CEIT's net assets increased by some 96 per cent in the year to June, says the spokesman.

Despite such growth, general Hong Kong funds have done better. The 10 authorised funds provided a median return of 102 per cent in the year to June, and Baring's General Hong Kong Fund chalked up a near-132 per cent growth in net assets.

Jardine Fleming is the latest comany to enter the fray, claiming that its JF China investment company (JFCIC) is the first investment vehicle to invest directly, and exclusively, in China.

JFCIC's shareholders include the British-based merchant bank, Robert Fleming, an affiliate of the World Bank, and Peking-backed Citic Industrial Bank. The company, launched in July with a working capital of US$22m, is not yet open to outside investors. Jardine Fleming says it will consider a listing in Hong Kong Company when it has established a track record.

JFCIC's one investment to date is in Hong Kong-based Applied Electronics, a manufacturer of electronic toys. JFCIC acquired a US$1m stake through a private placement of shares.

Applied electronics has virtually all of its workforce in China, says Mr James Bruce, a Jardine Fleming director, who argues such an investment cannot be compared with a shareholding in Hutchison Whampoa, or Jardine Matheson.

"The investment combines both caution and a high return, which is just the sort of situation one would like to find," says Mr Bruce. He says another 30 to 40 projects have been examined by JFCIC, and that it is probable another investment will soon be made in a Hong Kong company which has a major part of its business in China.

Whatever the critics say about such investment vehicles, there seems no doubt that local investors are keen to punt on China's modernisation. For the meantime; they are probably quite happy if perfomance is assisted by Hong Kong's surging stock market.

Kevin Hamlin

Capital markets

Floating rate issues up as CDs fall back

"IT IS helpful that some competitors have shut up shop," remarks Mr Patrick Thomas, managing director of Manufacturers Hanover Asia, seeking to derive a crumb of comfort from the crisis that has struck the Hong Kong capital market.

While the equity market has boomed throughout this year, the debt market has been severely crippled by the upturn in interest rates which began in March. Rising activity in 1985 and 1986 proved to be a brittle phenomenon, based on speculative investment in paper by banks and hardly at all on take-up by genuine final investors.

The Hong Kong capital market has been largely focused upon issues of certificates of deposit, which jumped in aggregate from HK$7.2bn in 1985 to HK$11.7bn in 1986. But in the first eight months of this year the total has reached less than HK$3bn.

An upturn in floating rate issues, which totalled HHK$4.4bn in 1986 and have already topped HK$4bn in 1987, cannot make up for the damage suffered in the fixed rate sector. The liquidity of the market has virtually dried up as banks have ceased to make two-way prices, a further deterrent to potential investors.

At the best of times the Hong Kong capital market is somewhat oddly structured, due to the absence of any significant market in public sector debt, and to the discrimination by the tax system against domestic bond issues. Hong Kong residents are liable to pay 17 per cent income tax on HK$-denominated bonds but not on overseas issues. This makes local bonds unattractive compared with, say, US Treasuries, and capital market activity has centred around the banks and CDs.

During 1985 and 1986 interest rates were falling and fixed interest paper was in big demand. But something like 75 per cent of all the issues were going into the trading portfolios of banks.

As the market leader in new issues in both years, Manufacturers Hanover was concerned about the lack of depth of the market. As Mr Thomas says: "If you do not have an infrastructure in place of long-term institutional or retail investors, you cannot really have a broad-based fixed interest market."

A rival banker puts it more controversially. "A lot of the leaders of the market last year didn't think too far ahead as to what would happen. The market had become issuer-driven and not investor-driven."

Most merchant bankers in Hong Kong can see little immediate prospect of any underlying recovery by the capital market

Meanwhile, over at Baring Brothers Asia, Mr Nigel Melville, the managing director, points out that "Hong Kong dentists have no interest in Hong Kong dollar bonds." He adds: "There's basically a lot of surplus capacity in the Hong Kong capital market at present."

One view is that Hong Kong has proved to be something of a lead indicator for the Eurobond market, which has also fallen on hard times as interest rates have risen this year. But Hong Kong banks have the added problem that it is impossible to hedge their inventories of local currency paper.

There is no Hong Kong dollar interest rate futures contract, and though hedging is possible against US dollars, there remains a currency risk despite the linking of the HK and US currencies, with only a small margin of fluctuation.

One ingenious solution has been found by Paribas (Asia), which in July mounted a placing of HK$1.5bn in two equal tranches of so-called bull and bear bonds, which have redemption prices linked in different ways to the level of the Hang Seng Index in January 1992.

"We have tried to introduce new ideas and new concepts here," says Mr Philippe Aubert, senior executive officer of Paribas in Hong Kong. The index-linked bonds followed an innovatory issue of Hong Kong Electric bonds convertible into shares of a quite different company, the airline Cathay Pacific.

The bull and bear bonds effectively offer investors two different plays on the equity market, but from Paribas' point of view they will provide HK$1.5bn of four-year funding at a fixed interest rate averaging around 7 per cent.

Competitors admire Paribas' initiative in launching the concept in Hong Kong, though some have doubts about whether all the bonds have really been placed in the firm hands of final investors.

Gimmicky securities may provide one answer, but Mr Thomas of Manufacturers Hanover would like to address the problem of lack of investment demand more directly. He points out that the Hong Kong Capital Markets Association has been discussing two key propositions with the Government.

One is that withholding tax should be reformed, and the other is that Hong Kong pension funds should be required to invest a certain proportion of their resources - perhaps 50 per cent - in HK$-denominated assets. "The real investor market needs to be expanded," he says.

However, there appears to be a divergence of views within the Capital Markets Association, because its chairman, Mr Nicholas Whitehouse, a director of Wardley, the merchant banking offshoot of the Hongkong Bank, dismisses the idea as "pie in the sky".

"Forcing people to fund occupational schemes in a certain way goes against the grain of what Hong Kong is all about," he considers.

In fact most merchant bankers in Hong Kong can see little immediate prospect of any underlying recovery by the capital market, although September brought the first fixed rate CD issue for six months, a modest HK$75m issue (along with a HK$125m floating rate tranche) for Sanwa Bank.

Certainly, any plans for playing a significant part in the financing of the mainland have had to be shelved. China has turned to the London market (where it launched a $200m floating rate note issue at the end of September) though a good deal of the funds now being raised through the equity market in Hong Kong could also be destined to finance developments across the border.

Barry Riley

Domestic bank profitability has recovered, though some problems remain

Exports help to cure the pallor

IF MR Tony Nicolle, Hong Kong's new Banking Commissioner, had any qualms about his predecessor's claim that the territory's problem banks were all on the mend, then the current export boom has laid them to rest.

Earnings from trade finance, from irrepressible home loan demand, and other consumer lending, have soared strongly enough over the past 18 months to remove the pallor from the most fragile of banking institutions.

According to a report published a month ago by the Hongkong Bank, aggregate profits for the 35 local banks amounted to HK$3.38bn on an unconsolidated basis in 1986, compared with an unprecedented aggregate loss in 1985 of HK$772m.

The total of unprofitable banks fell from eight to six, and all but one of the territory's loss-makers managed to trim their losses over the year. Only Hong Nin - now called First Pacific Bank since its rescue in January - saw a deterioration last year.

No figures are yet available for 1987, but as the economic boom continued unchecked until the end of August, further improvement is certain this year.

Underlying this recovery in bank profitability, problems and weaknesses remain, but it may take another collapse like the one that shook the foundations of the economy in 1983 to make them apparent, or to put to the test the new banking regulations that are intended to provide advanced warning of a bank getting into difficulties.

For Mr Robert Fell, who retired as banking commissioner just two months ago, the past two and a half years had been devoted to crisis management and a constant struggle to maintain international confidence in a battle-scarred industry.

Over the period, seven banks collapsed and had to be rescued either by the Government itself or by "big brother" banks. Collapses had resulted from fraud (as in the case of the Overseas Trust Bank), from uncertain management (as in the case of the Union Bank, controlled until June last year by the Oen family) or over-heavy lending to individual clients (as with the Hong Nin Bank, which foundered when the scale of its lending to the troubled Fung family was unearthed).

Hong Kong's laissez-faire government was in a state of undisguised embarrassment over the fact that these collapses had left it running three banks. One of them has recently been sold back into the private sector (Hongkong Industrial and Commercial Bank, bought by the tiny Dah Sing Bank), and there is occasional talk of the Hang Lung Bank being close to disposal, but officials say it will be "years rather than months" before the Overseas Trust Bank is returned to private sector hands.

The banking sector crisis prompted the most thorough reform of banking supervision the territory has yet seen. Only this month, the Banking Commission has contacted all banks and deposit taking companies to warn them that preparations are now being made for the last of the reforms to be enforced - imposing internationally acceptable capital adequacy ratios.

Banks were given two years from last September to increase their capital bases to meet the new capital adequacy requirements; but since each will have to meet unique requirements, depending on the type and size of its loan portfolio, the Banking Commission is starting now to negotiate appropriate ratios with individual banks. The task is expected to be complete by September next year, and any bank then failing to meet agreed requirements is expected to have its licence removed.

Apart from negotiating and enforcing these ratios, Mr Nicolle's initial task will be to develop debate on the abolition of Hong Kong's idiosyncratic three-tier banking system, in which licenced and registered deposit taking companies sit alongside fully-fledged banks, each group working within different sets of rules.

Since 1981, licenced deposit takers have existed as "graduates" from the wider body of 248 registered deposit takers. Of the 35 now in operation, 33 are owned by banks, and 21 are incorporated in Hong Kong. They can only take deposits of more than HK$500,000.

After a summer-long debate on a government consultative document, the idea inspiring the creation of licenced deposit takers - that they would eventually graduate to become full banks - has been jettisoned.

Instead, officials are considering demands for deposit takers to be differentiated according to their function - whether they are merchant banks, for example, or securities dealers.

Mr Tony Nicolle: three-tier system under scrutiny

Mr Nicolle also says the Government is committed to relaxing its previously rigid adherence to the rule that a deposit taker must have assets of at least HK$14bn before it can qualify for registration as a full bank. The recent granting of a licence to the Bank of New Zealand was the first example of this new flexibility.

At a regulatory level, the Government may be committed to granting licences to smaller foreign banks, but among the local banks, it is the smaller family ones that are facing increasing competitive difficulties, often seeking refuge from a "big brother" bank.

"For many people, the flight to quality has been taken to mean a flight to size," commented Mr Nicolle, looking back over the crisis years following 1984.

As a result, only six local banks are without foreign shareholdings - two of them controlled by the Government (Overseas Trust Bank and Hang Lung) and the Dah Sing, Tai Sang, Tai Yau and United Chinese banks.

Against what many said was the inevitable trend towards big brother links, Dah Sing was recently successful in buying from the Hong Kong Government the convalescent Hongkong Industrial and Commercial Bank. This appears to be a unique example of a family bank aiming to resolve the size problem by "growing" itself by acquisition, and there will be considerable interest in seeing how it works.

Those small family banks in Hong Kong that have remained strong through the crisis years appear to have done so by remaining highly liquid, and relying on "niche" markets or a loyal community of clients.

Despite the conventional wisdom that the small banks have been hit hardest by tightening competition in recent years, it is surprisingly some of the smallest banks that have recorded the best recent performances.

Tai Yau Bank, which is controlled by the Ko family, has only its headquarters building, and has assets of just HK$45m, was ranked as Hong Kong's best performing local bank in a recent rating survey produced by Capital Information Services (CIS), an independent banking industry research company. Its deposits rose by almost 46 per cent, and assets by 29 per cent, while return on equity amounted to 7.25 per cent.

CIS talks of Tai Yau as an "oddity" with its own niche market - "a deposit cash management institution recycling customers' deposits mainly in the interbank market". Profits are enhanced by having no branch network, and its reputation for being an oddity is enhanced by the practice of not paying dividends.

As small banks have clung to niches for survival, the Peking-controlled Bank of China Group, which consists of 13 banks, have decided to attack the main retail market head on. An all-out bid for improved market share has led to some astonishing growth performances over the recent past.

The Po-Sang Bank, for example, trebled its loan portfolio between 1985 and 1986, and recorded profits growth of 61 per cent. For the four banks in the Bank of China Group that are locally incorporated, growth was also striking. Loans grew by an average of 65 per cent, according to recently released government statistics, while deposits rose by 36.5 per cent, and profits by 39 per cent.

By comparison, the Hongkong and Shanghai Bank, and its subsidiary the Hang Seng Bank, which account for 55 per cent of all loans from local banks, managed loan growth of a more modest 26 per cent, with deposits up by 30 per cent, and profits up by 13.4 per cent.

Mr Tim O'Brien, the Hongkong Bank's assistant general manager responsible for retail banking, was well aware of the aggressive expansion of the Bank of China Group, and the fact that the Hongkong Bank Group was the inevitable target for such expansion.

"We have been an oligarch for some time," said Mr O'Brien. "The banking crisis reinforced this position, but we are certainly not the slightest bit complacent about our position in the market."

He insisted that growth per se was not a measure of profitability. "The sister banks are not quite as bent on financial suicide today as they once seemed to be," he commented. "At one stage they appeared to be interested only in market share, whatever the cost."

Other bankers reported mortgage loans being offered earlier this year by members of the Bank of China Group at fixed rate terms, 1.5 per cent below the local prime lending rate, as these banks tried to capture a larger share of the home loan business. They have also been lending to manufacturers on terms that other local banks have found unacceptable.

This fierce competition has made it unrealistic for foreign banks to harbour hopes of entering the local retail banking market, and as a result, they have captured their own niches.

As a result, while they account for 119 of the 154 licenced banks in the territory, just 15 per cent of their assets were in the form of the loans and advances made in 1986, according to a recent CIS report. Securities accounted for 6 per cent of their assets, while interbank loans accounted for almost 79 per cent.

By contrast, local banks excluding the Hongkong Bank Group have almost 49 per cent of their assets in loans and advances, with about 30 per cent in the interbank market.

As competition continues to squeeze profit margins, so fee income and earnings from interbank lending continue to become an increasingly important ingredient in bank profitability in the territory. This may in part explain the eagerness of some banks to enter the local securities industry.

Mr Nicolle, aware of the debate in London and the US over where lines should be drawn between banking and securities operations, is not keen to force an early ruling in Hong Kong.

"I would like to take my time on that one, and see what happens in London in particular," he said.

With the local economy bubbling so hard, there will probably be few bankers with time to disagree.

David Dodwell

Bank lending to industry is under scrutiny

Fears grow over inadequate investment for R & D

AT A time when Hong Kong industrialists are working at full stretch to meet the demands of the strongest export boom the territory has seen in a decade, worries about inadequate bank lending to industry may seem far-fetched.

Concern there is, nevertheless, as manufacturers face the prospect of heavy investment in new labour-saving machinery, and in research and development aimed at keeping technologically abreast of competitors in Korea, Taiwan, and South-east Asia.

Public debate began just over a year ago, after publication of an Industry Department report on Hong Kong's plastics industry. It identified a wide range of problems, but said these were exaggerated by officials who complained that banks were more relaxed about lending for property purchases - where the property could be valued easily, and could be used as collateral against the loan.

This complaint is reflected in territory-wide bank lending figures, which show that, in 1986, loans to the manufacturing sector amounted to about HK$23.5bn - 10.3 per cent of all loans and advances - while mortgage lending accounted for 14.2 per cent, the wholesale and retail trades 14.3 per cent, and construction and property development a further 13.7 per cent.

"Local banks' portfolios - apart from the Hongkong Bank - tend to be concentrated in two areas - trade and property," says Mr Lionel Desjardins, who heads Capital Information Services, a recently-established banking research company in Hong Kong. "These account in most cases for more than 50 per cent of their loan portfolios."

Bank executives in Hong Kong accept the complaint in part. "When you make a loan to a manufacturer who wants to expand, it's often much tougher to evaluate his plans and to set meaningful collateral against the loan, than it is with property lending," commented one banker.

Mr Peter Wrangham, until recently chairman of the Hong Kong Association of Banks, and a senior executive of the Hongkong Bank, felt the complaint was particularly appropriate when it involved proposals for spending on research and development. "Banks are hesitant about R and D-type investment," he said. "You have to ask yourself if the borrower has the ability to make or to market the product, and answers to this sort of question are so uncertain.

"You have to have fairly sophisticated banking staff, who know the industrial markets and what is going on in them. That adds to the cost of assessing loans."

He nevertheless points to the Hongkong Bank's own scheme, offering HK$200,000 unsecured to small manufacturers who are looking for expansion, as an example of how banks can be flexible in industrial lending.

Bankers also point to the Bank of China group's efforts to increase lending to manufacturing industry as part of a long term strategy both to increase market share in Hong Kong, and to bolster economic confidence in the territory as 1997 approaches.

The four mainland Chinese banks that are incorporated in Hong Kong - the Nanyang Commercial, Po Sang, Chiyu and Hua Chiao Commercial - last year boosted their loan portfolio by 65 per cent, according to a report published six weeks ago by the Hongkong Bank. The Po Sang Bank tripled the size of its loan book. Much of this increase was in the form of mortgage financing, but much has also been directed at industry.

A three-pronged approach to solving industry's funding problems seems to be emerging as Hong Kong Government officials consult bankers and manufacturers.

First, the Government is putting more weight behind the Industry Development Board, which now meets monthly, and aims to identify areas in which the administration can best help manufacturers to upgrade technologically. This involves directing more resources into the Productivity Council, which has this year received an extra HK$72m to encourage productivity and quality improvements across industry.

Bankers see the Bank of China's increased lending as part of a long term strategy

Second, a working party on venture capital financing was set up by the Hong Kong Association of Banks, and produced a preliminary report in June. This body began by examining the calls for an industrial bank, but rejected the proposal: first, because it felt that manufacturers needing money for new equipment, or for general expansion, faced no shortage of funding shortages; and second, because "such an entity would be inconsistent with the territory's free market tenets".

Whether this second assertion is accurate is open to question, but industrialists appear to accept that the first claim is fair. The working party concluded that the companies with the main problems were small to medium sized manufacturers that did not have the assets or track record to qualify for a stock market flotation, and manufacturers needing to boost research and development spending.

Pointing to the 15 venture capital companies already operating in Hong Kong, which together have HK$2bn invested in projects in the territory, the working party said there was more a problem of manufacturers being ignorant of what kind of project was suitable for venture capital finance than there was of insufficient sources of funding.

The working party noted that the venture capital companies - like Techmoventures, Arrais and Partners, and Asian Oceanic - had found limited opportunities to fund start-up ventures, with heavy initial costs and low early levels of return.

Instead they were putting much of their cash into "mezzanine finance", often for product development or factory expansion that stretched any conventional definition of "venture capital financing".

"Many Hong Kong manufacturers still prefer minimal initial investment, low research and development spending, a quick return on investment - and they are reluctant to share that profit with outsiders like a venture capital company that would prefer to have an equity stake," said an executive in one of Hong Kong's smaller venture capital companies.

The third prong of the Hong Kong Government's approach is to consider a second-tier stock market that would enable smaller companies to get funding by means of a public flotation. At present, a company must have capital of HK$20m.

This proposal has caused alarm in some quarters, since many in Hong Kong feel the local stock exchange is already a "second-tier" market by international standards - with many companies offering only 25 per cent of their equity to the public, and with reporting and disclosure requirements still inadequate.

The working party on venture capital, aware of these concerns, argues nevertheless that there are many companies that could improve technologies much more quickly and effectively if the HK$20m listing requirement were modified to allow smaller companies to come to the market.

They insist that disclosure requirements should not be diluted, but instead call for the exchange to accept shorter trading histories for companies seeking listings on the second-tier exchange, and for lower flotation costs.

A final factor prompting the Hong Kong Government to direct fresh attention to industry's funding needs for technological upgrading is the current economic boom itself.

Soaring export demand over the past 18 months has created unique pressures in the economy, and increasingly severe supply constraints. In recent months, the severest squeeze has emerged in the labour market, where virtual full employment has made it impossible for many manufacturers to find enough workers.

Some of these manufacturers have responded by shifting operations over Hong Kong's land border into China. But most recognise that this can only be a piecemeal response to the long-term need to invest in labour-saving, high technology equipment.

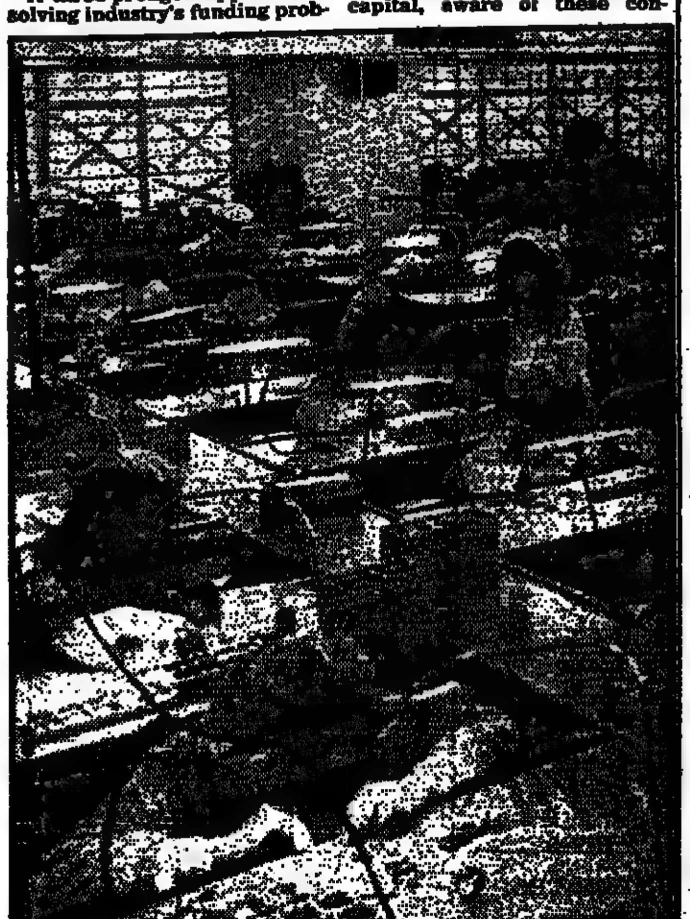
The Government has had the foresight to realise that, despite its laissez faire philosophy, these changing circumstances have forced on it a responsibility to help manufacturers to make this adjustment. Prompt action is likely on all three of the fronts outlined above.

With most manufacturers reporting profits growth this year of between 50 and 100 per cent, the Government will no doubt take the view that problems over bank lending to industry have been no hindrance to growth so far.

On the contrary, some would argue that more funding would only increase the strains in an already-overheated economy. The boom conceals the need for urgent action, but the need remains, and with industry in its current hearty state, there is perhaps no better time than the present.

David Dodwell

The territory is experiencing the strongest export boom in a decade



Hong Kong is among the world's top three watch exporters

As seven banks have collapsed in four years, the territory's family banks have seemed most vulnerable

New requirements induce thoughts of big brother

WHEN THE Hong Kong Government announced with considerable fanfare that it had successfully returned the convalescent Hongkong Industrial and Commercial Bank (HICB) to the private sector, reducing the total of government-controlled banks to two, there were some raised eyebrows that the purchaser was Dah Sing, one of the territory's smallest family-controlled banks.

Over the past four years, as seven Hong Kong banks have collapsed, it has been Hong Kong's increasingly idiosyncratic family banks that have appeared most fatally vulnerable.

It has become conventional wisdom that they had little part to play in Hong Kong's increasingly competitive retail banking sector, and that they could only survive by seeking shelter from a big brother bank.

Today, the Far East Bank once controlled by the Chiu family has found shelter with a Sino-US banking partnership, while Ka Wah, once controlled by the Lows, is owned by Peking's China International Trust and Investment Corporation (Citic). Kwong On, once owned by the Leungs, is controlled by Fuji Bank, while Mitsubishi Bank has taken control of the Liu Chong Hing.

Wing Hang, Wing Lung, Wing On, Hong Nin, and the Union Bank have all followed similar routes, with big brothers ranging from Irving Trust and Standard Chartered Bank, to the Peking-backed China Steam Navigation, and First Pacific.

If competition has not forced them to find big brothers, in many cases the Government's plan to introduce more stringent capital adequacy requirements by September next year has been the catalyst. Many might have been able to increase their capital base to meet new government criteria, but felt they had better ways of spending their money than committing it to Hong Kong's fiercely competitive retail banking market.

Many saw better ways of spending their money than committing it to the retail banking market

Dah Sing, still controlled by the family of Mr David Wong, appears to be trying to follow a different route - by growing itself to a size where it can compete in the market without a big brother. To its own 14 branches will be added HICB's 23 branches.

Exact plans for growth are at present shrouded in secrecy as the family prepares a prospectus for the HICB takeover, but there will be considerable interest in the route the family has chosen to follow.

Another family bank to have bucked the trend is the tiny Tai Yau Bank, which is controlled by the family of Mr Ko Fook-chuen, and operates without any branch network from its headquarters office in the heart of Hong Kong's central financial district.

According to Capital Information Services (CIS), a recently established banking research organisation in Hong kong, Tai Yau's idiosyncracies have enabled it to rank top among the territory's 35 locally-incorporated banks on its 1985 performance.

"Tai Yau is an oddity," says Mr Lionel Desjardins, who heads CIS. "It has a very limited niche of its own, mainly active in trade and mortgage finance, and has almost become a deposit cash management institution recycling customers' deposits mainly on the interbank market."

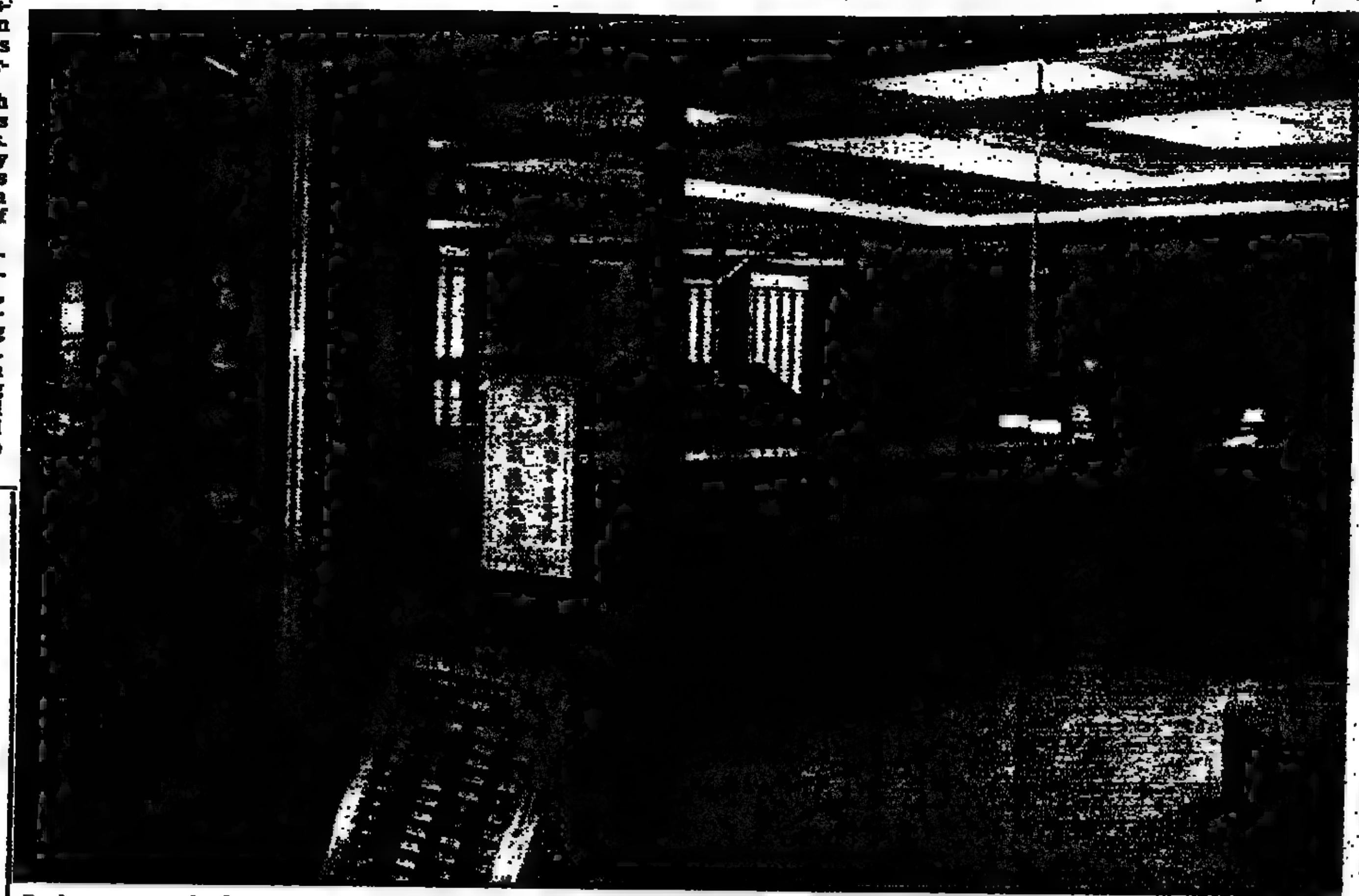
He says that with no branch network to support, the bank is able to make handsome profits. It has also insulated itself by progressively cutting back its loan portfolio since 1981 to a point where today 82 per cent of its US$49m of assets are liquid.

Only three other family-controlled banks remain unprotected. First, the Bank of East Asia, in which the Li family has a controlling stake, ranks now among the strongest in the territory. With assets of $2.4bn, the fourth largest branch network in hong kong, and strongly developed business links with mainland China, it has long since achieved the graduation that Dah Sing is perhaps today trying to obtain.

The Tai Sang Bank, owned by the Ma family, is the smallest Hong Kong bank in terms of assets, but has five branches. Like Tai Yau, the smallness of its operation appears to offer profitability, despite narrow concentration on trade finance for a strong and loyal clientele among the Ma family's business contacts. Low liquidity levels appear to make the bank vulnerable to any reversal in the banking sector, and limited resources make diversification difficult.

The United Chinese Bank, controlled by a former Kuomintang general, Dr S K Yee, is vulnerable for different reasons. While it has managed higher than average profitability among Hong Kong's banks, it is regarded as vulnerable because Dr Yee has been reluctant for political reasons to get involved with China. This has greatly limited his cient base, and his ability to capitalise on the trade boom generated by China's increasing commercial contact with the outside world. Regarded as a one man show, its days as an wholly-independent bank could be numbered.

David Dodwell



Business as usual: after the Government had taken over the collapsed Hang Lung Bank

In the new Hongkong Bank headquarters building: a section of the main banking hall

They'll want good retirement benefits as well as salaries

A central provident fund may not be the solution to an ageing population and negligible social security benefits

New funds hold the pensions key

"UNIONS AND other concerned people see all these problems, which I agree are problems, and they immediately say the magic solution is a central provident fund. But, of course, that's nonsense. It's certainly not the only solution, it's certainly not the best solution, and it's not the *right thing for Hong Kong...*"

Mr Stuart Leckie, managing director of the Wyatt Company, a firm of actuaries, was speaking in the spirit of this year's heated debate on the best way to cater to the needs of the territory's elderly.

The problems, referred to by labour unions and social welfare groups, are Hong Kong's ageing population and its negligible social security benefits. Smaller family units are also changing Chinese traditions, with the result that parents can no longer be sure that their children will look after them in later years.

The territory's surging economic growth has meanwhile brought rapid progress for the pension fund management industry. Wyatt estimates that retirement assets under management are doubling every three years, and now stand at HK$50bn to HK$60bn. It expects a similar growth rate in future years.

There are now some 5,000 approved pension funds, which Wyatt estimates covers 20 to 25 per cent of the labour force. It guesses that another 10 to 15 per cent benefit from informal schemes.

The growth of companies in the territory's burgeoning economy is causing newly approved pension schemes to sprout at the rate of about 15 a month. Mr Leckie reasons that, if the UK, with a population 10 times the size of Hong Kong, can support 100,000 pension schemes, the territory should easily be able to expand to 10,000 schemes.

There are now some 35 fund management companies active in the pension fund market. Wardley Investment, Schroders Asia, and Jardine Fleming are dominant forces, but Gartmore, GT Management, Baring International and N M Rothschild are among a number of other concerns which, in recent years, have had significant success in attracting pension fund assets.

Wardley, a subsidiary of Hongkong and Shanghai Bank, says pension fund business has been "the engine" of its growth in recent years. It now has some US$2.5bn in retirement assets under management, says Mr Nigel Tulloch, managing director.

Wyatt's annual review of investment performance shows that, of the 139 pension funds surveyed last year, 95 per cent achieved a return of at least 26 per cent. The highest return was 65.3 per cent, the lowest 9.2 per cent, and the median 40.9 per cent.

The central provident fund debate is a symptom of the territory's increased prosperity, of related changes in social attitudes, and generally higher expectations. "People now want good benefits as well as good salaries," says Mr Leckie.

The possibility that they will get them via a CPF is, for the foreseeable future, considered highly unlikely. The notion that laissez-faire Hong Kong should be burdened with a monster CPF remains anathema to Government and entrepreneurs alike.

There is also concern that a CPF would bring a plethora of sensitive political problems. How would China, for example, react to a large portion of the money being invested overseas?

And Wardley's Mr Tulloch doubts whether a CPF is wanted by the general public in any case. "The concept of a contributory scheme is not very popular with blue collar workers," he says, because their disposable income is already low.

Pressure from various pro-CPF lobbies has, however, prompted the Government to form a working party to look at ways of improving supervision of unapproved pension fund schemes. It is this month expected to recommend legislation to ensure that approved schemes have a committee that includes some members of the scheme, rather than just management staff.

Government will thus sidestep having to undertake a supervisory role itself, and at the same time will save the taxpayer from having to fund this activity.

The Government is also aware that pressure for improved general retirement benefits is unlikely to abate unless it is able to point to a substantial growth in private schemes. It hopes that legislation on long service payments, introduced this year, will assist this goal.

This legislation means employers already have to pay benefits to long-serving employees. The Hongkong Society of Accountants will probably be asked to encourage its members to make companies aware of this liability, and to reserve for it in their accounts.

If companies start providing for these liabilities, the reasoning goes, they should do it in a tax efficient way, through setting up approved schemes. The Inland Revenue Department has already made it more difficult for companies to obtain tax relief on provisions for liabilities that are not separated from general accounts.

As Mr Leckie said last year: "Employers who have not already done so will be drawn into the spider's web to establish their own retirement schemes, either to provide the mandatory benefits or something more generous."

When a substantial number of companies had fallen into this trap, he added, the "Government will be able to put its hands on its collective heart and say: 'there is now no need whatsoever for a central provident fund in Hong Kong'."

Kevin Hamlin

Gold

Speculators offset renewed interest

HONG KONG's gold traders have had a fairly dismal couple of years since the heady days of 1984, when political uncertainty over the territory's future caused locals to go on a buying spree, in spite of the precious metal's steadily falling price.

While firmer gold prices have helped to bring buyers back into the market this year, the renewed interest has been largely offset by speculators' preference for the high-flying local stock market.

The territory ranks with the major international gold-trading centres, and its two markets remain among the busiest in the world. The Chinese Gold and Silver Exchange Society trades bullion measured in taels (equivalent to approximately 1.2 troy ounces), and has only local members. Traders say the Loco-London market, whose members are mostly international dealers, has become the more active market in recent years.

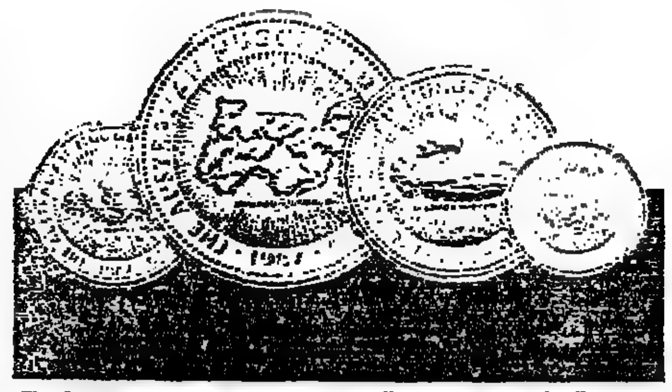
Gold imports into Hong Kong were valued at HK$4.99bn last year, just over a third of the HK$13.44bn-worth in 1985. While gold traders say local demand has been mostly flat this year, imports into the territory have surged. Official figures show gold of a total value of HK$7.64bn was imported in the six months to June, more than double the HK$3.2bn in the first half of 1985.

While the increase is due partly to the metal's increased value, Hong Kong also acts as a depot for South-east Asian gold trade, and re-exports increased by about 30 per cent during the same period.

A number of gold traders estimate that Po Sang Bank, part of the Bank of China group, is responsible for an astonishing 80 per cent of gold imported into Hong Kong. Po Sang specialises in gold trading, and its headquarters is the focal point for trading by Hong Kong's general public.

Gold prices there are displayed on closed-circuit television monitors, and literally hundreds of local Chinese, many of them housewives, converge on the bank daily to take a punt on gold prices.

In addition to depressed demand, traders of gold coins are facing new competition. The American eagle gold coin was introduced in October last year; the Australian nugget gold coin has been distributed since April, and from next month the Hang Seng Bank will begin distributing Britain's Britannia coin.



The Australian gold nugget has been distributed since April

Despite this, Mr Albert Chen, who is responsible for marketing Canada's gold maple leaf coin in South-east Asia, says sales have been strong so far this year. He says 120,000 ounces were sold in Hong Kong during the first nine months, compared with 100,000 ounces in the whole of 1986, which was down from 166,000 ounces in 1985.

He estimates that the maple leaf will corner a 60 per cent share of the local coin market this year (his equivalent of 150,000 ounces), down from 75 per cent in 1986, due mainly to market erosion by the Australian nugget. Hong Kong, Taiwan and Singapore account for 10 to 15 per cent of maple leaf sales worldwide, says Mr Cheng.

Mr Joseph Lo, who markets the Australian nugget through Goldcorp Australia's local office, says he expects to sell 100,000 ounces in the first year of distribution. Sales in Hong Kong accounted for more than 13 per cent of the nugget's world-wide total during the period from April to June.

Another coin available in Hong Kong is China's panda. While traders say local demand is non-existent, because of its hefty price premium compared with other coins, Japanese and US dealers are said too be "crazy about it".

Hong Kong is a high volume, low margin trading centre, with a large proportion of local investors speculating on short-term price movements. Margins of HK$8 on tael bars and HK$10 on one-ounce coins are the lowest in the world. With such slim margins, punters "can buy in the morning and sell in the afternoon," says Mr Lo.

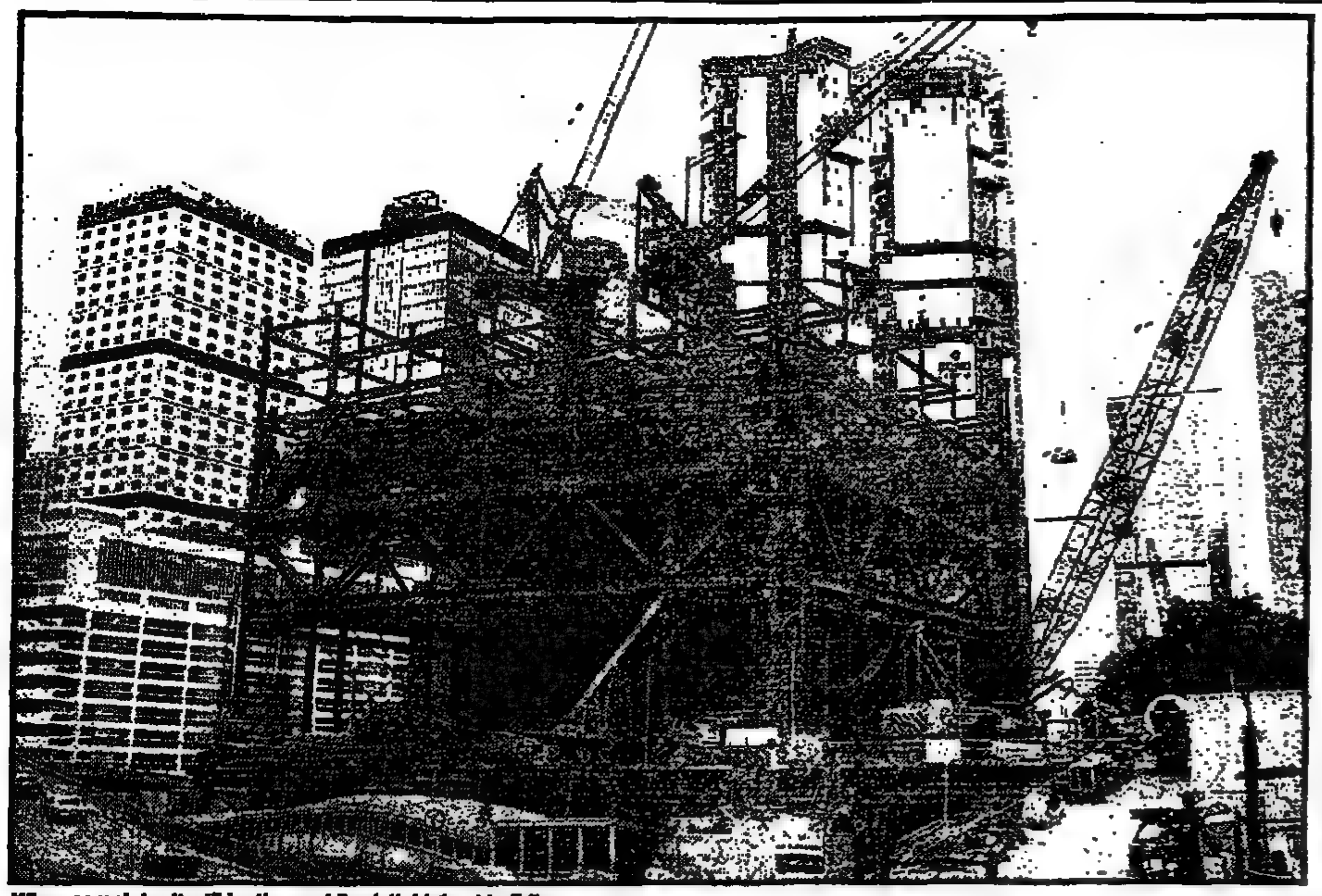
While local Chinese have long been recognised as notorious hoarders of gold, referred to as the "squirrel mentality" by Mr Lo, traders say this pattern is changing as 1997, and Hong Kong's future as a part of China, looms. "There are more profiteers now; they want to make quick money," says Mr Lo.

In recent years, gold traders have also had to contend with the increasing popularity of some high-interest foreign currency deposits. The competitive banking environment has brought lower minimum deposits for foreign currency accounts, and slim buy/sell spreads. With gold prices fairly static, many investors have preferred to punt on currency appreciation.

Traders' future hopes for improved gold sales are largely based on the territory's growing inflation rate. Government now estimates that inflation will reach 6 per cent this year, and some economists say it could be 8 per cent.

If that, or a good healthy bout of political jitters, doesn't work, traders will probably be reasonably content if investors decide to divert a portion of their stock market winnings into physical assets.

Kevin Hamlin



When complete, it will be the world's sixth highest building

Bank of China's new building has awakened superstitions

Watch the wind and water

SLOWLY EMERGING as an integral part of Hong Kong's skyline, the Bank of China's (BOC) new headquarters building will by the end of next year become a striking symbol of China's re-emergence into the world economy.

An angular 70 storeys high, and costing HK$1bn, it might also serve as a stark daily reminder that sovereignty over Hong Kong is to revert to China in less than 10 years.

For the time being, however, superstitious Hong Kong people are more concerned about the building's dubious "Feng Shui" (which means, literally, "wind and water").

Revered by locals, Feng Shui masters are believed to be able to determine whether a building will attract prosperity and good fortune.

They do this by analysing a building's location, shape and direction, and by relating such factors to the presence of various spiritual forces. The proximity of benevolent dragons is thus considered equally important.

BOC's main problem is that its new building has an angular shape, which Feng Shui experts believe could disrupt and anger vital spiritual forces.

Many superstitious local Chinese wouldn't even consider building without consulting a Feng Shui master, a factor BOC appears to have overlooked.

By a few small adjustments to the best architectural plans, local Chinese believe the Feng Shui master can ensure that a building, and its owners, have good fortune and prosperity. The only alternative is bad Feng Shui, which means, effectively, certain hard times.

On the upside, the new BOC headquarters is situated on the path of the territory's most auspicious dragon vein. Other buildings located on this, such as Government House and the Supreme Court, have been preserved even in times of adversity, point out Feng Shui experts.

While mainland China has scorned the art of Feng Shui as crass "superstition", celebrated American-Chinese architect Mr I M Pei, who designed the new headquarters and was born in Canton, should perhaps have known better.

Despite the building's patently modern appearance, I M Pei and Associates insist its design is rooted in classical Chinese philosophy and iconography. They liken its structure to the trunk of a bamboo, which is "propelled ever higher by each new growth".

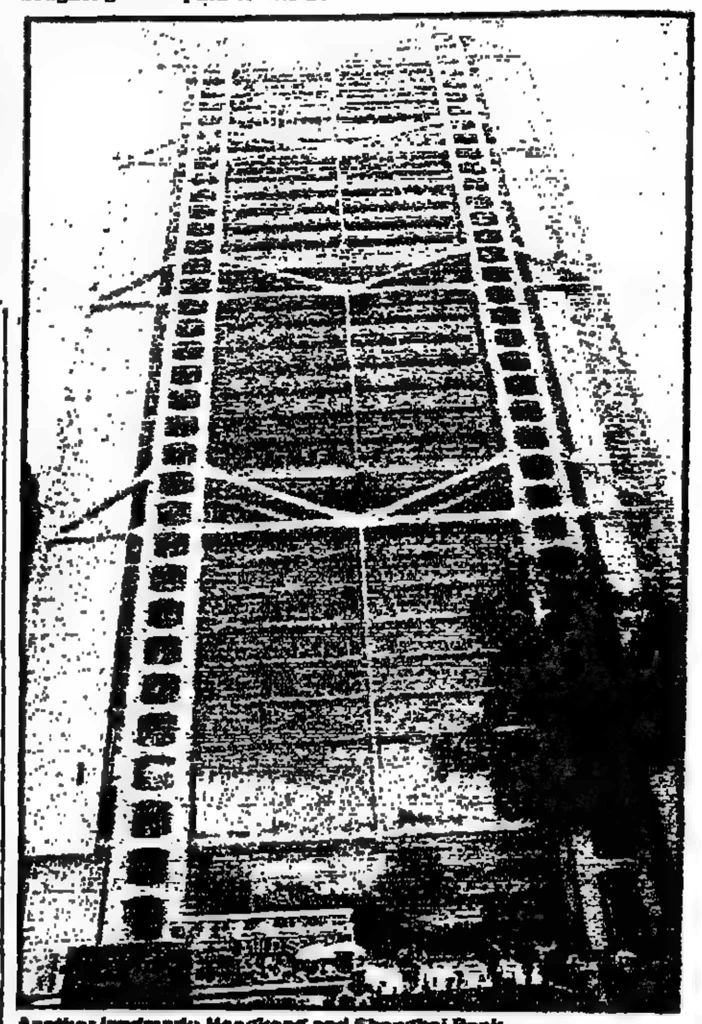
"In this sense, the architecture of the new Bank of China building is symbolic of the modernisation efforts now undertaken by China," say the architects.

The building is situated on prime land on the periphery of Hong Kong's central business district. BOC acquired the site from Government at the peak of the 1982 property boom at the "friendship price" of HK$1bn - less than one third of what Hongkong Land paid for its Exchange Square plot at roughly the same time.

At a height of some 315 metres, it will be the tallest building outside the US, and the world's sixth highest. Construction work, carried out by Japan's Kumugai Gumi, has now reached the 19th floor. BOC will occupy the first 19 floors, and will lease the remainder to third parties

In common with other of Mr Pei's designs, the BOC building will feature a 15-storey atrium. The banking hall will be clad in two shades of grey granite, while the tower will be sheathed in metallic aluminium and silver heat-reflective glass.

Kevin Hamlin



Another landmark: Hongkong and Shanghai Bank

Decade of the dragon

Continued from page 1

rope - particularly West Germany.

Exports to Japan rose in the first half of this year by 71 per cent, to West Germany by 42 per cent, and to China by 69 per cent. As a result, the US accounted for 38 per cent of exports by value in the first half of this year, compared with 44 per cent in 1985.

A second major problem - aggravated by severe shortages of labour - is the need for local manufacturers to "graduate" from labour intensive to capital intensive, high technology industry.

Since the Hong Kong Government remains firmly committed to non-intervention, it has found itself hamstrung in providing aid to industries needing to enhance research and development capabilities. The Industrial Development Board and the Productivity Council have been strengthened, and plans for easier access to venture capital funding have been discussed.

Proposals for a second tier stock market that would give younger and smaller companies access to public funding are also under consideration. But the onus remains with the manufacturers themselves, and a fund recently set up by two leading industrialists, Mr Allen Lee and Mr Stephen Cheong, may provide guidelines for future development.

While laissez-faire principals remain close to the heart of Hong Kong's top-most officials, both the imminent take-over by Peking, and the increasing need for international respectability, mean that the case for improved supervision - particularly of the banking and securities industries - remains strong.

The banking crisis triggered by the collapse in 1983 of the Hang Lung Bank acted as an early catalyst for banking reforms, and stricter supervisory powers were brought on to the statute book in September last year.

But major reforms in the securities industry are still awaited - including fuller disclosure rules, greater powers to detect insider trading, an internationally credible central clearing system, and the reform of some of the feudal practices of the recently unified stock exchange.

At present, it is difficult to discern from the exposed bowels of the Bank of China headquarters what view Peking would take of such reforms - except that they would be as keen as the existing government to improve international respectability, and would not be eager to offend local superstitions.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday October 14 1987

Merrill Lynch profits unchanged at operating level

BY JAMES BUCHAN IN NEW YORK

MERRILL Lynch, the big New York brokerage firm, set the stage for a weak show of third-quarter financial results from Wall Street houses with a report of flat earnings from operations in the quarter to September.

Merrill yesterday reported net income of $195.1m or $1.78 a share as against $93.7m or 88 cents a share. But the latest earnings are wildly flattered by a special gain of $100.3m after tax from a property deal.

Without this gain, which Merrill booked from the sale of a right to buy half a downtown New York skyscraper, Merrill's earnings for the quarter were more or less unchanged at $94.8m.

The flat performance, despite a 30 per cent boom in revenue to $3.02bn, shows Wall Street's immense difficulties in controlling its costs as much as the widely-expected losses from trading fixed interest securities in the choppy markets of the third quarter. Salomon, the big securities trading house, has already said it was only marginally profitable in the September quarter.

Merrill said that its investment banking revenue was up 21 per cent in the September quarter, while revenues from asset management and insurance broke records. Revenue from own-account trading known as principal transactions was down only 5 per cent "despite the difficult fixed income trading environment."

Total expenses were up 27 per cent, with half of the increase put down to reserve strengthening in the insurance business, Merrill said.

Mr William Schreyer, chief executive, and Mr Daniel Tully, president, said: "We are continuing to make good progress in a very challenging environment."

Humana returns to profit in final quarter

BY OUR NEW YORK STAFF

HUMANA, the struggling US health-care and hospital group, yesterday reported a return to profit for the quarter and year to the end of August as it sorts out a disastrous foray into health insurance.

The group, the second-largest US hospital operator after Hospital Corporation of America, reported net income of $47.5m or 48 cents a share, in its fourth quarter to August, against a loss of $106m in the 1986 August quarter.

However, the 1986 figures included a special charge to earnings of $130.8m, mainly to cover expected losses on Care Plus, its health-insurance business.

Humana launched Care Plus in 1984 in response to a campaign by government and business to curb medical costs by keeping patients out of hospital.

The company hoped the insurance would provide captive patients for its hospital chain, now 87 strong. But until Humana started writing tougher contracts, more than half the patients were going elsewhere.

Revenues in the fourth quarter were up 18 per cent, at $1.05bn.

For the full year, Humana reported earnings of $182.8m, or $1.86 a share, against $54.5m, or 56 cents a share, after the special charge of $130.8m.

Time lifted by buoyant magazine division

By Our New York Staff

TIME, the large US publishing and cable television group, yesterday reported a strong advance in third-quarter operating income thanks to a sharp improvement in the performance of its key magazine division.

Time, which has returned firmly to Wall Street favour in the past nine months, yesterday reported a 78 per cent increase in operating earnings to $178m in the September quarter.

The increase, which was powered by a near tripling of profits from magazines to $48m, far outpaced the 17.1 per cent increase in sales revenues to $1.07bn.

Time's net income was $74m or $1.24 a share, compared with $252m or $3.98 a share in the 1986 September quarter. But these figures are distorted by a number of special gains and losses as new management under Mr Richard Munro, chief executive, has moved to shed unprofitable businesses and more fully exploit others.

Last year, Time realised a $351m pre-tax gain from the public offering of stock in American Television & Communications, which helped draw Wall Street's attention to the value of Time's cable businesses.

This was partly offset by a $50m charge for relocating a department. This year, Time took a gain of $15m on the sale of its stubbornly unprofitable Discover magazine.

In the other divisions, operating profit was up 86 per cent to $52m in book publishing because of the acquisition of Scott, Foresman, the text-book publisher. At Times' pay television networks, operating profit was up 42 per cent to $34m, while cable television improved 43 per cent to $34m.

Sharp rise in software revenues boosts IBM

BY RODERICK ORAM IN NEW YORK

INTERNATIONAL Business Machines, the world's largest computer maker, has reported its first year-on-year rise in profits in the past six quarters. A sharp increase in revenue from software helped offset slower growth in hardware sales.

Net income for the three months ended September rose 12 per cent to $1.21bn, or $2 a share, which was towards the bottom end of some analysts' forecast. Its stock slipped $⅝ to $148⅝ in early trading. A year earlier net income was $1.08bn, or $1.76 a share.

Revenues rose 7 per cent to $12.73bn from $11.91bn a year earlier, within which software sales rose 20 per cent to $1.6bn, hardware sales rose 9 per cent to $8.43bn and rental and other services fell 16 per cent to $788m.

IBM did not break out sales of personal computers in the quarterly period but it said recently it was its best period ever for the products. In the first seven months of this year shipments of personal computers jumped 40 per cent following the introduction of its second family of PCs, the Personal System/2.

IBM has high hopes for PS/2, believing the range can roll back the encroachment of clone computers. Strong shipments this year reflect, however, buoyant industry-wide demand and Wall Street believes that IBM has at best only stopped the erosion of its market share. It recently began discounting some of its new models, much earlier than usual in a product's life.

Mr John Akers, IBM's chairman, attributed the increase in third-quarter profits to "the effects of our cost and expense actions, coupled with significant resource reductions." He added that "our agenda for the future remains unchanged."

For the nine months, IBM's net income slipped 6.7 per cent to $3.17bn, or $5.25 a share, from $3.4bn, or $5.53. Revenue rose 5.5 per cent to $36.2bn from $34.3bn with the same trend of strong software and weak hardware sales.

Honeywell, the aerospace and controls group, more than doubled third-quarter net profits to $69.6m, or $1.59 a share, from $32.4m, or 74 cents. The year earlier figure included $2.2m, or 5 cents a share, net income from discontinued operations. Revenues rose 27.5 per cent to $1.64bn from $1.28bn.

The company said its restructuring plans were paying off. Operating profits in home and building automation and control, and industrial automation and control improved substantially.

Aerospace profits were higher. Orders in defence and aerospace were slightly lower in the third quarter but sharply higher in the year to date.

Net income for the nine months ended September 30 was $167.6m, or $3.76 a share, up 77 per cent from $94.7m, or $2.11. The year earlier figure included a net loss of $15.7m, or 34 cents a share, from discontinued operations. Sales rose to $4.69bn from $3.76bn.

Air Jamaica terminates jets lease-back deal

BY CANUTE JAMES IN KINGSTON

AIR JAMAICA has terminated a lease-back arrangement with GPA Midland, a subsidiary of the GPA Group of Shannon, Ireland, repossessed the four aircraft involved and has sold them to a US company in another lease-back agreement.

The company says the four Boeing 727 aircraft haven been sold to Alg Gibraltar of Kansas City for $35m. The purchase was financed by the London branch of Security Pacific Bank of Los Angeles, California.

There was no immediate indication from the state-owned airline about the reason for the change, but it said the move had netted it $14.5m, and that this would "see an improvement in Air Jamaica's cash flow, place the company on a better financial base ... with sufficient cash to cover operation needs and also assist in future capital investment."

The lease-back agreement with Guinness Peat became effective in December 1984, when the company said it sold the four aircraft for $25m. In terminating the agreement, Air Jamaica said it paid Guinness Peat $16.1m, representing the balance of principal and interest, and termination charges.

Mr Pernel Charles, Jamaica's Transport Minister, said the deal represented "good business" for the state-owned airline, while Mr Tony Hylton, Air Jamaica's president, said he was "proud and pleased" at the agreement.

The 17-year-old airline operates five other aircraft – two Airbus A-300s which it owns, a third A-300 on lease from Air France, a Boeing 727 leased from Ansett of Australia and a Boeing 747 leased from Tower Air of the US.

BAT Industries to spend $300m on Saks expansion

BY NICK BUNKER IN LONDON

BAT INDUSTRIES, the world's largest private sector tobacco company, announced its second big investment in US retailing in four weeks yesterday, when it said it would spend $300m over the next five years to expand and modernise Saks Fifth Avenue, its New York-based chain of 44 high-fashion stores.

The British-based group said it planned to open five new Saks stores, in Virginia, Colorado, Minnesota, Oregon and North Palm Beach, Florida.

It also plans to modernise and renovate 27 stores, including the flagship Saks store in midtown Manhattan.

The news came less than a month after BAT announced a $110m programme for refurbishing the Marshall Field department store, which it owns, in downtown Chicago.

The Saks chain's sales exceeded $1bn in 1986 for the first time in its 63-year history, with trading profits of more than $100m.

Mr Melvin Jacobs, Saks Fifth Avenue's chairman and chief executive, said its strategy revolved around enhancing the chain's appeal for customers seeking high-quality fashion merchandise.

● Mattel, the US toys group, has reached agreement with Walt Disney, the entertainment and leisure group, to design, make and market Disney-branded infant and pre-school toys as part of a worldwide licensing agreement.

The first products in the line will be presented to the US trade by Mattel at its January Pre-Toy Fair in Scotsdale, Arizona and to the international toy trade at toy fairs around the world in early 1988. The toys are expected to be on sale in shops by mid-1988.

Disney said the new line will allow them to "compete head to head with the other important pre-school toy lines." The line will include moulded plastic toys, activity sets, skill sets and role model-typed toys, aimed at the pre-school market.

First Chicago shows third-quarter fall

BY OUR NEW YORK STAFF

FIRST CHICAGO, parent of the 11th-largest US bank, has reported lower net profits for the third quarter because of a charge from restructuring its bank's international network.

The $38m, or 39 cent a share, charge was slightly larger than forecast when the reorganisation was announced in July. It cut net income to $64.9m, or $1.11, from $72.3m, or $1.24 a year earlier.

For the nine months ended September, it reported a net loss of $568.5m, reflecting provisions for loan losses of $855m in the second quarter, of which $780m was for Third World sovereign debt, and $75m in the third.

The company is cutting its 1,550-strong overseas staff by about 20 per cent.

● First Bank System, the Minneapolis holding company of the 15th-largest US banking group, has reported third-quarter net profits of $54.3m, or 89 cents a share, against $51.9m, or 86 cents, after an addition to loan loss reserves of $19.9m in the latest quarter against $272.2m a year earlier.

INTERNATIONAL COMPANIES & FINANCE

NATIONAL BANK OF CANADA

NOTICE TO THE NOTE HOLDERS OF 16½% DEPOSIT NOTES DUE MAY 15 1988

Notice is hereby given that pursuant to the terms of the 16½% Deposit Notes, US$6,000,000 principal amount of 16½% Deposit Notes has been drawn by lot by the undersigned on behalf of the Principal Paying Agent, for redemption, on the 16th November, 1987.

The said Deposit Notes so called for redemption will therefore be redeemed on the 16th, day of November 1987, at 100% of the principal amount so called, plus accrued and unpaid interest to the date of redemption if applicable, upon surrender of the said Deposit Notes with, thereto attached, all interest coupons, maturing November 16, 1987, and thereafter at any of the following Paying Agents:

— National Bank of Canada, 535 Madison Avenue, New York 10022
— National Bank of Canada, Princes House, 95 Gresham St, London EC2V 7LU
— Manufacturers Hanover Bank Luxembourg S.A., 39 Boulevard Prince Henri, Luxembourg

Notice is also hereby given that interest upon Deposit Notes so called for redemption shall cease to be payable from and after the said redemption date, namely the 16th day of November 1987, and coupons for interest maturing after the said date, namely the 16th day of November 1987, shall be void.

The designating letter and numbers of the Deposit Notes so called for redemption are:

X0015	X0018	X0023	X0030	X0036	X0053	X0070	X0078	X0083	X0095
X0096	X0099	X0101	X0122	X0128	X0131	X0149	X0165	X0188	X0189
X0191	X0197	X0201	X0202	X0203	X0204	X0206	X0210	X0218	X0221
X0236	X0250	X0255	X0257	X0260	X0264	X0275	X0279	X0288	X0294
X0297	X0298	X0301	X0315	X0322	X0325	X0330	X0332	X0333	X0341
X0344	X0348	X0350	X0353	X0356	X0378	X0380	X0403	X0408	X0410
X0412	X0430	X0436	X0437	X0438	X0447	X0461	X0482	X0488	X0489
X0511	X0515	X0517	X0520	X0543	X0548	X0550	X0559	X0565	X0569
X0571	X0591	X0595	X0599	X0602	X0610	X0611	X0622	X0645	X0646
X0651	X0661	X0662	X0663	X0664	X0673	X0681	X0683	X0684	X0687
X0691	X0693	X0694	X0727	X0729	X0740	X0742	X0748	X0750	X0779
X0784	X0793	X0816	X0818	X0819	X0822	X0823	X0828	X0836	X0861
X0866	X0879	X0880	X0883	X0894	X0897	X0899	X0905	X0908	X0911
X0913	X0930	X0931	X0947	X0948	X0953	X0956	X0958	X0964	X0968
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X1137	X1141	X1150	X1152	X1168	X1170	X1172	X1175	X1176	X1183
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X1898	X1912	X1922	X1930	X1940	X1944	X1951	X1955	X1965	X1969
X1973	X1974	X1975	X1981	X1991	X1997	X1999	X2000	X2007	X2014
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X2063	X2065	X2072	X2079	X2083	X2094	X2112	X2130	X2145	X2148
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X2687	X2691	X2692	X2699	X2700	X2702	X2720	X2741	X2746	X2751
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X2833	X2836	X2844	X2845	X2849	X2854	X2857	X2859	X2868	X2886
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X2972	X2974	X2983	X2985	X2992	X3000	X3003	X3009	X3010	X3014
X3030	X3035	X3036	X3038	X3040	X3043	X3056	X3061	X3064	X3065
X3073	X3075	X3081	X3085	X3087	X3091	X3115	X3116	X3120	X3121
X3133	X3134	X3146	X3155	X3160	X3164	X3181	X3183	X3189	X3190
X3195	X3200	X3209	X3213	X3222	X3225	X3228	X3236	X3249	X3250
X3261	X3262	X3276	X3278	X3288	X3289	X3291	X3292	X3295	X3303
X3312	X3317	X3320	X3327	X3328	X3329	X3330	X3333	X3337	X3365
X3374	X3376	X3380	X3394	X3412	X3417	X3426	X3429	X3440	X3457
X3459	X3463	X3465	X3466	X3468	X3471	X3487	X3496	X3506	X3514
X3517	X3518	X3524	X3535	X3537	X3542	X3547	X3567	X3572	X3574
X3582	X3606	X3608	X3609	X3619	X3620	X3622	X3625	X3628	X3630
X3633	X3646	X3654	X3677	X3682	X3694	X3698	X3699	X3738	X3741
X3743	X3762	X3763	X3767	X3771	X3774	X3776	X3781	X3784	X3792
X3796	X3804	X3806	X3811	X3814	X3815	X3817	X3823	X3834	X3837
X3840	X3841	X3860	X3867	X3884	X3892	X3894	X3901	X3909	X3910
X3924	X3934	X3944	X3947	X3978	X3979	X3981	X3988	X3997	X3999

The following numbers were called for redemption on 15th May, 1987 and have not yet been presented for payment:
X0960 X0965 X0982 X3962

The principal amount of 16½% Deposit Notes outstanding after the said redemption date will be: US$7,000,000.

MANUFACTURERS HANOVER LIMITED
London as Drawing Agent

14th October, 1987

Paul Betts on the pressing financial problems at Renault and Chapelle-Darblay

Litmus test for French industrial policy

THE FRENCH Government's liberal industrial policy faces a litmus test over two delicate industrial decisions coming to a political head.

The first involves the future of Chapelle-Darblay, the country's largest manufacturer of newsprint which is in dire need of additional financial support to avoid bankruptcy. The other involves a large recapitalisation of Renault, the state-owned car group which faces a downgrading of its current privileged status of a *regie*.

Both issues raise implications for the Government's proclaimed industrial policy of ending state subsidies to lame duck enterprises and allowing full rein to market forces.

The Chapelle-Darblay saga has reached a new climax during the past days after Mr John Kila, the Canadian entrepreneur who rescued the newsprint group from failure in 1984, threatened to put the business back into the hands of the bankruptcy courts.

The latest crisis at Chapelle-Darblay follows the Government's decision to halt state subsidies to the group 18 months ago.

Under a previous salvage plan, Chapelle-Darblay was due to receive FFr2.3bn ($380m) of funds for a big investment and plant renovation programme. It had already received about FFr1.9bn when the Government halted the credits.

Mr Alain Madelin, the Industry Minister and one of the most ardent liberal crusaders in the Chirac administration, said that the Government wanted to end the old interventionist and state subsidy policies to allow market forces to take over.

After cutting back support to the shipbuilding industry, he also decided to make Chapelle-Darblay, in which the state owns a 33 per cent stake, another example of the new approach to industrial policy.

However, the newsprint maker now faces a liquidity crisis in the absence of the state support it had been promised by the former socialist government. Mr Madelin again declared this week that the days of state hand-outs were over.

But he also stressed that Chapelle-Darblay had to survive, thus underlining the dilemma the company is posing the Government.

After the big investments of the last few years, Chapelle-Darblay is now regarded as an attractive industrial tool in a recovering French newsprint market.

Moreover, after the decision of the Beghin-Say sugar group to withdraw from the newsprint business a few years ago, France has been left with only two newsprint makers - Chapelle-Darblay, with annual production of about 260,000 tonnes, and Matussiere-Forest, which produces about 60,000 tonnes a year. The French domestic market consumes some 600,000 tonnes a year.

Alain Madelin: wants to end interventionist policies

The former socialist administration was anxious to preserve Chapelle-Darblay as a viable domestic concern to prevent the country's newsprint imports needs increasing even further at a time of growing domestic consumption.

These strategic concerns are now clearly also preoccupying the current government which is reviewing a number of possible salvage solutions to avoid either injecting more funds, which it claims it will not do, or finding a new partner for the company.

The Dutch KNP group, one of Europe's leading paper manufacturers, has already tabled a proposal to take a large minority stake in Chapelle-Darblay.

But the Government also says it is reviewing alternative proposals, possibly in the hope that a last minute French solution can perhaps be found.

The timing of the latest liquidity crisis at the newsprint maker could not have come at a more awkward moment for the Government which is already battling with the future status of Renault. And all this is taking place in an increasingly charged political context with presidential elections barely six months away.

After announcing this summer that it planned to change Renault's status to turn it, in the words of Mr Madelin, "into an ordinary company" and recapitalise its balance sheet, the Government appears to be having second thoughts.

Although Renault is expected to report, according to the minister, "record" profits this year (latest estimates suggest earnings of between FFr2bn and FFr3bn), the motor group still needs some FFr10bn in state funds to restore its balance sheet, which contains a negative group net worth of about FFr9bn.

Mr Madelin and the Government would like to change Renault's status to make a break with past industrial policy and turn the company into an ordinary state company. Renault would thus appear in the eyes of the Government as a symbol of the Government's new liberal thinking.

But to achieve this, the Government must first indulge in a interventionist exercise by giving the state group a hand-out of state funds, drawn presumably from privatisation receipts.

The prospects of such a cash injection has inevitably provoked opposition from Peugeot-Citroen, Renault's main private sector rival. Peugeot obviously fears that the government's proposals risk seriously distorting the French car market.

Mr Jacques Calvet, the chairman of the private car group, has threatened to resign over the plans for the Renault cash hand-out. The European Commission is also watching closely the affair.

Under the circumstances, it is not altogether surprising that not everyone in the Government is convinced that the political risks of the Renault recapitalisation are worth taking in the already acerbic pre-election political climate.

But the Government, as in the case of Chapelle-Darblay, will have to take a decision rapidly if it still wants to table the necessary legislation to change the status of Renault in the current session of parliament.

Tractabel to raise BFr5bn in rights issue

By Tim Dickson in Brussels

TRACTABEL, the leading Belgian holding company which has interests in energy, telecommunications and cable television, will tomorrow announce details of a big rights issue.

The group says that the capital increase will be "of the order of BFr5bn" and that the move is justified in the light of investments it has made in the last few months, notably the acquisition with Groupe Bruxelles Lambert of a majority of the shares in Contibel, formerly part of IC Gas.

Tractabel and GBL bought Contibel in July after increasing their offer from £395m ($651m) to £448m.

The acquisition brought to an end one of the more unusual takeover battles in the UK, in which an initial offer recommended by the board and its financial advisers was snubbed by institutional investors for being too low.

Tractabel last month announced that its profits before tax for the first half of this year had increased from BFr4.49bn to BFr4.81bn ($127m) in line with earlier forecasts.

Fokker asks for further government aid

BY LAURA RAUN IN AMSTERDAM

FOKKER, the Dutch aerospace group, is seeking fresh financial aid from creditor banks and the Dutch Government while imposing severe austerity measures in efforts to deal with serious financial difficulties.

It is believed several hundred million guilders are needed to bridge the company's cash-flow problem, although Fokker refused yesterday to reveal how much money is being sought.

Fokker said negotiations with the banks and Government were at an "advanced stage" and an announcement was expected soon.

In a parallel step, the company is pushing ahead with a rigorous cost-reduction programme. Fokker declined to confirm reports that it planned to cut aircraft prices by between 10 per cent and 15 per cent.

Trading in Fokker's shares was suspended yesterday on the Amsterdam Stock Exchange following Dutch press reports highlighting the company's difficulties.

The stock priced closed unchanged on Monday at Fl 57.50, a level it has held steadily for several weeks.

Fokker's problems with its 50 turbo-prop and 100 fan-jet have been known for some time, although these seem to have grown.

Costly production delays, cut-throat competition from American companies - such as Boeing and McDonnell Douglas - and a dearth of aircraft orders have prompted Fokker to forecast a small loss for 1987, following its Fl 3.4m ($1.6m) loss for the first half.

Development costs for the 50- and 100-seat aircraft have clearly exceeded the initial estimates of Fl 1bn and may have neared Fl 2bn.

About Fl 1.2bn in costs has already been covered by the Dutch Government, with permission granted last year to stretch out the repayments, and another Fl 500m in loans provided by banks.

Initial deliveries of both planes have fallen months behind schedule because of labour, management and technical problems, requiring more financing and compensation payments to customers.

In July, a prototype Fokker 100 damaged landing gear and several Fokker 50s have suffered corrosion damage.

Last week, Fokker said it had agreed in principle to collaborate with Messerschmitt-Boelkow-Blohm, the West German aerospace concern, in research, production and marketing.

S-E Banken sees operating profits fall

BY SARA WEBB IN STOCKHOLM

SKANDINAVISKA Enskilda Banken, Sweden's largest bank, reported an 8.2 per cent fall in operating profits for the first eight months at SKr2.47bn ($388m), compared with SKr2.69bn last year.

The bank said its full-year results are likely to be about 8 per cent down on last year's figure of SKr4.18bn, provided nothing dramatic happens to interest rates in the meantime.

Last year, the Swedish commercial banks showed record profits, helped by falling interest rates and large capital gains from bond sales.

Interest income increased by 12.2 per cent to SKr8.16bn during the first eight months, chiefly because differences between short-term and long-term interest rates were to the bank's advantage.

Total income rose by 2.9 per cent to SKr6.12bn as profits from bond trading resumed normal levels after last year's record results.

Total costs rose by 18.5 per cent to SKr3.44bn, excluding those from the newly-acquired Eurocard-Koepkort subsidiary, and costs rose by 15 per cent due to technology and expansion in the Swedish subsidiaries. Eurocard-Koepkort is a credit card company in which S-E Banken increased its shareholding from 37 per cent to 54 per cent.

Operating profit for the parent bank fell by 14.7 per cent to SKr1.76bn. Profits from the foreign subsidiaries in New York, London, Singapore, Luxembourg and Frankfurt were below last year's levels.

S-E Banken said it had decided to lower interest on accounts because it was moving away from discount related rates to money market related rates. Money market rates have fallen by about 2 per cent since the spring.

Eight month surge for Procordia

By Our Stockholm Staff

PROCORDIA, the Swedish state holding company which was recently partially privatised, showed a profit (after financial items) of SKr863m ($135m) in the first eight months, an increase of 80 per cent on the previous year's figure of SKr480m. Sales rose by 5 per cent to SKr10.56bn.

Full-year profits after financial items are now expected to exceed the earlier forecast of SKr1.025bn.

The strong increase in eight-month results is mainly due to improvements at Procordia's pharmaceutical company, Kabi-Vitrum, and at the publishing company Liber, as well as the continuing good profitability of its tobacco interests.

The tobacco interests increased operating profits by 15 per cent to SKr436m. Within the services division, the main improvement came from the publishing company Liber which has been restructured to lower costs.

Services showed an operating profit of SKr65m, compared with SKr26m.

The pharmaceuticals and medical division reported an operating profit of SKr179m.

Engineering suffered an operating loss of SKr23m on sales of SKr1.313bn.

Aker Norcem to seek London listing

BY KAREN FOSSLI IN OSLO

AKER NORCEM, the Norwegian industrial group, is to seek a listing on the London Stock Exchange by 1989 at the latest.

The group said yesterday that the London listing was aimed at increasing the group's foreign investor profile.

Aker Norcem, which is comprised of activities split equally between land-based and offshore energy contracting activities, has maintained a furious expansionary pace in the last year.

It owns 20 per cent of Saga Petroleum, the Norwegian oil company which is expected shortly to be given government clearance to double to 40 per cent its level of foreign shareholders.

For the first eight months of 1987, Aker Norcem's pre-tax profits fell to NKr107m ($16.1m) from NKr225m in the same period in 1986. The setback results from falling activity and lower prices on offshore energy business, to which the group has a high exposure.

The companies in this division are showing good progress and Aker Norcem expects pre-tax profits for the full year to show a significant recovery, possibly rising to NKr450m. This would compare with NKr404m in 1986.

Two recent acquisitions - Norema, the interior fittings company, and Norewegian Contractors, the offshore concrete platform specialists - could be merged from January 1988.

For 1987, Aker Norcem estimates group turnover at NKr14.9bn. Norema and Norwegian Contractors could bring in a further NKr2.15bn in 1988.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue

October, 1987

21,500,000 Shares

ibp®

Common Stock

Price U.S. $19 Per Share

17,000,000 Shares

The above shares were offered in the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated

Bear, Stearns & Co. Inc.
The First Boston Corporation
Alex. Brown & Sons Incorporated
Daiwa Securities America Inc.
Dillon, Read & Co. Inc.
Goldman, Sachs & Co.
Hambrecht & Quist Incorporated
E. F. Hutton & Company Inc.
Kidder, Peabody & Co. Incorporated
Lazard Frères & Co.
Merrill Lynch Capital Markets
Montgomery Securities
Morgan Stanley & Co. Incorporated
PaineWebber Incorporated
Prudential-Bache Capital Funding
Robertson, Colman & Stephens
L.F. Rothschild & Co. Incorporated
Salomon Brothers Inc
Shearson Lehman Brothers Inc.
Wertheim Schroder & Co. Incorporated
Dean Witter Capital Markets
Arnhold and S. Bleichroeder, Inc.
Advest, Inc.
William Blair & Company
R. G. Dickinson & Co.
A. G. Edwards & Sons, Inc.
Oppenheimer & Co., Inc.
Piper, Jaffray & Hopwood Incorporated
Thomson McKinnon Securities Inc.
ABD Securities Corporation
Bateman Eichler, Hill Richards Incorporated
Boettcher & Company, Inc.
J. C. Bradford & Co.
Butcher & Singer Inc.
Cowen & Co.
Crowell, Weedon & Co.
Dain Bosworth Incorporated
Eppler, Guerin & Turner, Inc.
Fahnestock & Co. Inc.
First of Michigan Corporation
Furman Selz Mager Dietz & Birney Incorporated
Howard, Weil, Labouisse, Friedrichs Incorporated
Interstate Securities Corporation
Johnson, Lane, Space, Smith & Co., Inc.
Johnston, Lemon & Co. Incorporated
Ladenburg, Thalmann & Co. Inc.
Cyrus J. Lawrence Incorporated
Legg Mason Wood Walker Incorporated
McDonald & Company Securities, Inc.
McKinley Allsopp, Inc.
Moseley Securities Corporation
Neuberger & Berman
Nomura Securities International, Inc.
Parker/Hunter Incorporated
Rauscher Pierce Refsnes, Inc.
The Robinson-Humphrey Company, Inc.
Rotan Mosle Inc.
Sutro & Co. Incorporated
Tucker, Anthony & R. L. Day, Inc.
Underwood, Neuhaus & Co. Incorporated
Adams, Harkness & Hill, Inc.
AIBC Investment Services Corp.
Allied Group Securities Corporation
Bream Murray, Foster Securities Inc.
Carolina Securities Corporation
Hanifen, Imhoff Inc.
The Illinois Company Incorporated
Investment Corporation of Virginia
Kirkpatrick, Pettis, Smith, Polian Inc.
Lovett Mitchell Webb & Garrison Division of Boettcher & Company, Inc.
Needham & Company, Inc.
Seidler Amdec Securities Inc.
Southwest Securities, Inc.
William K. Woodruff & Company Incorporated

2,500,000 Shares

The above shares were offered outside the United States, Canada and Asia by the undersigned.

Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert International Limited

Credit Suisse First Boston Limited
Daiwa Europe Limited
Kidder, Peabody International Limited
Salomon Brothers International Limited
Swiss Bank Corporation International Limited

Algemene Bank Nederland N.V.
Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited
BNP Capital Markets Limited
Cazenove & Co.
Commerzbank Aktiengesellschaft
Crédit Lyonnais
EBC Amro Bank Limited
Morgan Grenfell & Co. Limited
Morgan Stanley International
Nomura International Limited
Orion Royal Bank Limited
Vereins- und Westbank Aktiengesellschaft
S. G. Warburg Securities
Westdeutsche Landesbank Girozentrale
Dean Witter Capital Markets – International Ltd.

2,000,000 Shares

The above shares were offered in Asia by the undersigned.

Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert International Limited
Daiwa Singapore Limited

Chris Sherwell reports on the world's biggest diamond mine

Sparkling success for Argyle

AN UNMARKED modern building, located opposite a flourishing green park in central Perth, houses the largest diamond sorting and cutting centre outside London.

Under the unremitting gaze of high security cameras, skilled workers process masses of industrial stones and an array of brilliant white gems, highly-prized pinks and yellow-tinted champagne and cognac diamonds.

In the rugged Kimberley mountains on the other side of Western Australia - as far away from Perth as Moscow is from London - stands the source of this bounteous harvest, the world's biggest diamond mine at Argyle.

In the space of two years the A$430m (US$312m) open-cut mine and the Perth diamond centre have generated a new force in one of the world's most secretive and mysterious industries.

Because of Argyle, Australia is already the world's largest diamond producer by weight, and sixth largest by value. Proven reserves of diamond-bearing ore are currently put at 70m tonnes.

So voluminous is its output, the technologies developed to extract and sort its stones are reckoned to be ahead of South Africa's. The pink gems, now world-renowned, have become Argyle's trademark.

The operation is 56.8 per cent owned by CRA, the Australian mining group. Its partners are Ashton Mining (38.2 per cent) and the West Australian Diamond Trust (5 per cent).

In its first full year of production last year, the mine produced 29.2m carats of diamonds, well over the original estimate of 25m. This year it will be about the same, with the plant processing some 3.7m tonnes of ore, more than its design capacity.

So high-grade is the resource, it produces seven carats of diamonds per tonne of ore, five times the world average. One part of the ore body has 20 to 30 carats per tonne.

The quality, however, is relatively low. Some 5 per cent of the stones are gem quality, 35 per cent cheap gem and 60 per cent industrial.

Of last year's output, the gem-quality stones increased world supply by 8 per cent and added only 2 per cent in value terms. Industrial stones, on the other hand, increased world supply by 75 per cent, and value by 60 per cent.

Once the share due to the West Australian Diamond Trust is sorted out - the trust sells it on the market through an agent in Antwerp - the remainder is divided 75:25 between the Central Selling Organisation (CSO), part of the South African De Beers group, and Argyle Diamond Sales.

Under the five-year agreement with the CSO, all rough gems go to De Beers save for those which Argyle retains to process in Australia at the Perth sorting and cutting centre.

Argyle is shortly to decide whether to make the centre permanent and confirmation seems likely, at least to judge by the success of the pink diamonds.

Another tender - the third - is due next month in Antwerp and seems certain to attract a high level of interest. A total of 50 to 60 carats will be on sale and will include some large stones. In the last sale, held last December, a London merchant purchased a 2.11 carat stone with an estimated retail value of A$1.5m.

Perfect white

Argyle is also seeking to stimulate interest in the range of yellow to brown stones, cleverly described as champagne and cognac diamonds, which make up one third of its gem-quality output.

An exhibition of these stones worth A$12m is being launched next month in London and then in Australia. The idea is to encourage the kind of public awareness already shown for the "perfect white" - and, of course, to raise prices.

Argyle's gems, though a small proportion of the total output, generate 40 per cent of the group's revenues. Another 50 per cent comes from near-gem stones, and the remainder from the more humdrum industrial diamonds.

Its contribution to world supply has not hurt the market, however, because of the agreement with the CSO, the dominant market force, which exercises a critical influence on prices.

In the past two years world diamond prices have actually recovered strongly from the crash of 1981 and 1982 which followed the last boom of 1979 and 1980. Argyle is therefore looking forward to increased revenues in the current year.

One reason for the buoyancy is increased demand from Japan, where diamond imports are up an estimated 50 per cent this year alone. It is the fastest growing market in the world, but at 18 per cent of the total is still well behind the US, at around 35 per cent. Nevertheless, the talk is of a structural change in the world diamond market.

A major customer for Argyle's near-gem production is India, which has had a diamond industry for centuries. Through Argyle's own efforts and CSO sales, an estimated 90 per cent of the mine's rough stones go to Indian diamond centres in and around Bombay.

"We rely on India as a customer," Argyle officials say. "They have a sophisticated distribution network for selling to the US and the Far East."

Second resource

On the production side, Argyle's next major decision concerns Ellendale, another diamond resource discovered before Argyle. Located near Derby, it has been regarded hitherto as a marginal resource, but is now being re-evaluated for development.

Exploration is meanwhile continuing in the region. Although plenty of diamond resources have been found - some 97 "pipes" altogether - none yet looks economic.

Argyle, on the other hand, is set to last 20 years. If it does not, the comfortable motel-type establishment for mineworkers, most of whom commute every two weeks by jet from Perth, could easily be turned into an unusual resort. This seems unlikely, since new reserves are constantly being proven. Diamonds, as they say, are forever.

Lau brothers buy stake in Paul Y

By David Dodwell in Hong Kong

MR JOSEPH LAU and Mr Thomas Lau, the Hong Kong-based brothers who control a fast-growing empire based on the companies Evergo, Chinese Estates and China Entertainment, yesterday revealed that they had acquired a 25 per cent stake in Paul Y, the construction, shipping and property group, for HK$204m (US$26.2m).

This came just three days after the purchase of a 10 per cent holding in Laws Fashion Knitters for HK$320m. Evergo is to be used to buy the Laws stake, while China Entertainment is to acquire the holding in Paul Y.

The Laus were at the centre of controversy this summer when they failed narrowly to take control of Hongkong and Shanghai Hotels, controlled by the Kadoorie family. They earned HK$136m when they sold their stake to a group of banks.

Paul Y is one of the three main contractors building Hong Kong's HK$3.4bn Eastern Harbour tunnel. It has also completed a number of contracts for the territory's Mass Transit Railway Corporation. After losses of HK$158m in the year to March 1986, Paul Y returned to profit last year with an after-tax total of HK$11m.

Anglovaal hit by higher costs

BY JIM JONES IN JOHANNESBURG

THE DILEMMA of the South African gold mining industry was reflected yesterday in September quarter reports of the three gold mines managed by the Anglovaal group. Cost increases generally outweighed revenue increases despite greater ore processing rates and improved gold recovery grades and despite the fact that none of the group's gold mines were affected by the black miners' strike.

Loraine was particularly badly affected by a drop in mill throughput. The mine's unit cost of mining and processing each ton of ore was 14 per cent higher in the September quarter than in the June quarter and the quarter's working profit from gold mining alone fell to R7.4m ($3.6m) from the June quarter's R10.5m.

Capital spending increased slightly at Loraine but was cut sharply at the Hartebeestfontein and Eastern Transvaal Consolidated (ETC) mines.

ANGLOVAAL GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sept 87	Jun 87	Sept 87	Jun 87	Sept 87	June 87
E. Tvl Cons	887	850	11.02	16.68	75.5	39.1
Hartebeest	7,946	7,680	50.82	80.29	99.5	21.3
Loraine	1,983	2,064	10.71	12.52	18.7	31.1

Earnings are calculated after capital expenditure and loan repayments

INTERNATIONAL CAPITAL MARKETS & COMPANIES

Foreigners lift investment in French share market

BY GEORGE GRAHAM IN PARIS

FOREIGN INVESTORS have been carving out a bigger share of the French equities market and accounted for over a quarter of all dealing last year.

A new study by the Commission des Operations de la Bourse (COB), the Paris stock exchange regulator, shows that foreigners were responsible for 28 per cent of all equity deals in France last year, compared with 20 per cent in 1985, 16 per cent in 1984 and 13 per cent in 1983.

Net purchases of French shares by foreign investors have grown rapidly over the last two years, the COB says. In 1986 they represented 1.6 per cent of the total Paris equity market capitalisation.

The COB estimates that foreigners subscribed for 11 to 13 per cent of all public share offerings in France in 1986, besides the shares they bought in offerings made directly on the international market. Issues of non-voting certificates of investment by companies in the state sector, waiting to be privatised, were particularly well subscribed, with foreigners taking up FFr3bn out of the FFr18bn offered last year.

At the same time the French have increased their purchases of foreign shares since the ending of the special foreign exchange regime for share buying.

The COB study shows that net purchases of foreign shares by the French reached FFr8.1bn last year, after two years in which they had been net sellers of foreign shares.

Paribas to buy equities broker

BY OUR PARIS STAFF

PARIBAS, THE recently privatised French investment bank, is to take over Courcoux-Bouvet, Paris' leading equities broker.

The agreement, the seventh to be concluded in the framework of the reform of the Paris stock exchange begun earlier this year, will eventually give Paribas 100 per cent control of Courcoux in 1990, the earliest permitted under the new stock exchange reform bill currently passing through parliament.

Courcoux has been the most active broker in the Paris equity market for the last three years, with a large block trading operation. Turnover last year totalled FFr165m ($27.3m), with nearly 50 per cent coming from block trading, 25 per cent from other broking activities, and over 25 per cent from private client fund management.

Profits totalled FFr35m - the fourth highest of any French broker - and are expected to be slightly higher this year.

Paribas is believed to have agreed to pay between 10 and 15 times 1986 earnings. Most estimates put the price at around FFr450m.

Several other French and foreign financial institutions have already announced plans to take over stockbrokers since the government said it would permit them to accept outside capital and gradually end the monopoly on share dealing which has been theirs since the time of Napoleon, but the strategies have differed widely in each case.

While Paribas, like Compagnie du Midi, the insurance and financial group, is taking 100 per cent control of a major broker, two large commercial banks, Banque Nationale de Paris and Societe Generale, each chose a majority stake in very small broking houses.

Credit Lyonnais, the third of the commercial banks' triumvirate, selected one of the larger brokers, Cholet-Dupont, but without taking outright control. It will be joined by a group of foreign banks and French industrial companies. A similar arrangement is planned for Dupont-Denant, the family firm of Mr Xavier Dupont, the stock exchange chairman.

James Capel, the UK broker, is so far the only foreign investor to have agreed to take over a French broker, though Mr Carlo De Benedetti, the Italian financier, said that he had done so - to the surprise of the broker in question.

Some French financial houses have felt that they could not stand aside from buying a broker, even though they were surprised at the prices being asked.

Handbook from Coopers Lybrand

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

SENIOR MANAGERS of financial institutions often display a surprising lack of understanding of the nature and potential implications of the financial instruments offered and traded by their firms, Mr Peter Smith, head of financial services at Coopers & Lybrand, said yesterday.

He was speaking at the launch of a handbook of financial instruments published by the accountancy and management consultancy firm. It describes some 200 instruments, suggests benefits, risks and disadvantages both to issuers and investors, and provides checklists of tax and accounting questions which issuers and investors should consider for each.

As examples of markets where participants had clearly not understood the full risks involved, Mr Smith cited perpetual floating-rate notes and mortgage-backed securities.

The Financial Jungle, a Guide to Financial Instruments, Coopers & Lybrand, Plumtree Court, London EC4. £75.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	[illegible]	[illegible]	+0⅛	−0⅝	10.57
All Nippon Air 9⅝ 97	100	90	90½	+0⅛	−0⅝	11.04
American Brands 8⅞ 92	150	[illegible]	[illegible]	+0⅛	−0⅝	10.62
A/S Eksportfinans 7⅞ 93	100	[illegible]	87½	+0⅛	−0⅝	10.63

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	90½	90⅝	+0⅛	+0⅛	6.37
E.I.B. 4⅝ 94	40	91	91⅝	+0⅛	+0⅛	6.32
Elec. De France 5⅛ 94	25	[illegible]	[illegible]	−0⅛	0	6.30
[illegible] Electric 4⅝ 94	60	[illegible]	[illegible]	0	−0⅛	[illegible]

Aggressive pricing on DM bond for China

By Clare Pearson

AN EXPECTED DM300m Eurobond for the People's Republic of China, the first international bond by the government since the 1949 revolution, emerged yesterday following a clarification that D-Mark Eurobonds would not be affected by the West German government's planned withholding tax.

However the bond, led by Dresdner Bank, met a disappointing reception, which dealers said reflected its aggressive pricing.

The five-year par-priced bond was quoted as low as less 2½ bid, against 2 per cent fees. Dealers suggested that its 6 per cent coupon was around ¼ per cent too low.

Meanwhile, in the D-Mark domestic bond market, the clearing of some of the confusion hanging over the scope of

INTERNATIONAL BONDS

the new 10 per cent withholding tax improved sentiment across the board in the West German bond market, although price rises were modest.

A technical correction after the sharp sell-off at the end of last week left prices of some domestic bonds around ½ percentage point higher, although most dealers were still quoting only indicated prices.

Meanwhile, the news that Eurobonds would be unaffected by the tax cheered dealers, and prices of most issues rose by around ½ point in active trading.

Dealers noted the yield differential between a benchmark issue for the World Bank and the comparable government bond issue narrowed by around 15 basis points.

Prices in the Australian dollar Eurobond market continued to decline, even though it had become clear that the bulk of the issues would be unaffected by the tax.

The market had been heavily sold when the tax was announced last Friday and while its scope was still unclear, since many issues have been by West German borrowers and they have been largely bought by West German investors.

It became clear yesterday that only some 22 of the outstanding issues, many issued by Landesbanks, would be affected by the tax, since they had not been issued through offshore entities.

Selling continued nevertheless across the whole market. Dealers said the withholding tax affair seemed to have given a "psychological push" to investors who had been reviewing their holdings in the sector recently, given the weakness in the Australian domestic market.

Dealers said it was unlikely issuers of bonds affected by the tax would call their issues under early redemption clauses in their documentation.

Aside from the problem of unwinding associated swaps, many of the bonds by bank issuers have been sold to the banks' own clients, who would be alienated by such a move especially as many of the older issues are trading well over par.

Additionally, it was possible that some of the bonds' documentation allowed for changes in the borrowing entity, so that issuers might be able to transfer them to overseas' subsidiaries to escape the tax.

Eurodollar bond prices improved slightly in thin trading ahead of the release of US trade figures, due out today. Yield differentials over US Treasury bonds widened.

Salomon Brothers International, whose parent company, Salomon Brothers, announced sharp cuts in its trading operations on Monday, launched a $100m deal for TMC Mortgage Securities No 4.

The par-priced bond, TMC's fourth such issue, pays interest at 37½ basis points over three-month London interbank offered rate, rising to 50 basis points after 10 years. It has a final maturity in 2015 but the average life is expected to be between five and seven years. Yesterday it was quoted at 99.75 bid, against 30 basis points fees.

Banque Paribas Capital Markets led a C$65m two-year 11¼ per cent bond for First Austrian Bank, priced at 101¼. Paribas quoted the deal at less 1¼ bid, the level of its total fees.

Nikko Securities led a $100m five-year par-priced equity warrants bond for Intec, the Japanese computer software and telecommunications services company, to a good response. The bond, which has an indicated 3¾ per cent coupon, was quoted at less 1¼ bid, against 2¼ per cent fees.

In Switzerland, prices rose by about ¼ as the market stabilised after successive falls in the previous few sessions.

A SFr100m 5¼ per cent issue for Hydro Quebec closed its first day's trading at 100¼, ¼ point above its issue price. The borrower's name is popular in Switzerland and the bond was said to have been well-placed.

Doubt lingers over D-Mark Eurobonds, Haig Simonian reports

Bonn leaves markets unsatisfied

HANS Tietmeyer, the top-ranking civil servant in the West German ministry of finance, has confirmed that Deutschemark Eurobonds will not be subject to the country's planned new 10 per cent tax on savings and investments, to be levied from 1989.

Mr Tietmeyer said he thought financial markets had over-reacted to the new tax due to incomplete information - though he omitted to mention that the shortage of information stemmed from his own ministry.

Neither does its latest word on the scope of the new tax entirely satisfy the market. It has *stated* that the tax will affect bonds where the issuer is domiciled in Germany and which has its management in the country.

However, that leaves a large question mark over the treatment for the many Eurobonds launched by German companies through their foreign subsidiaries. Prominent examples of these include Deutsche Bank, which issues Eurobonds through its Luxembourg subsidiary, and Dresdner Bank, which uses a Dutch financing vehicle.

By late afternoon, it had been put off until today because of the pre-occupation of the financial expert concerned, the ministry said.

Such uncertainty has confirmed the widespread feeling that the new measure is a broad political step, the detailed implications of which have barely been considered by the ministry's own tax and legal experts.

As a result, capital markets executives in Frankfurt were concentrating on the issue of jurisdiction yesterday.

If, as most expect, Eurobond issues by foreign subsidiaries of German companies are excluded from the new tax, a substantial anomaly will be created, which would counter one of the ministry's purposes in imposing the tax - that of reducing tax evasion.

Some issuers, notably the country's big three banks, have used offshore entities for their Euromarket borrowing.

Others, including a large number of banks in the public sector, have issued their Eurobonds in the name of the domestic parent companies, thereby bringing them within the scope of the tax.

Included in that list are such top quality names as Kreditanstalt fuer Wiederaufbau (KfW), Deutsche Siedlungs- und Landesrentenbank (DSL Bank) and Deutsche Girozentrale (DGZ).

Some issues for other banks, such as Deutsche Genossenschaftsbank (DG Bank), would be affected, as well as paper for many medium and smaller Landesbanken, including well-known institutions like Bayerische Landesbank and Hessicher Landesbank. Berliner Bank, a private institution which effectively acts as the Landesbank for West Berlin, would also be affected.

The irony that the new tax may hit certain semi-public institutions, while letting some other public and private banks go scot free, has not been lost on many bankers.

However, the story does not end there. Some of the banks affected by the tax may have escape clauses written into their bond agreements.

Take these two cases. DSL Bank's bond contracts oblige it to make up any withholding tax payments to investors. That means that after 1989, when the new 10 per cent tax is supposed to come into effect, it will have to find an additional 11.11 per cent - representing the tax and tax on the tax - to make up interest payments to investors.

"It is bad news," said Mr Hubertus Brandt, one of DSL's directors yesterday. "Under the net clause, which is standard for such issues, the tax will have to be paid for by the bank."

DGZ is in a different boat. The fine print on its bond issuing documentation allows for a *"Schuldner wechsel"* - effectively a change of borrower.

What that means it that it can simply nominate another name - subject to adequte public notification and a time lag - as the issuer, and use the parent company to guarantee the paper.

Rather than going to the trouble and expense of setting up a special overseas financing vehicle, the bank provided for the possiblity of a tax change in the wording of its documentation.

Dutch hope to profit from German plan

BY LAURA RAUN IN AMSTERDAM

THE DUTCH bond market is hoping to profit from West Germany's plan to impose a 10 per cent withholding tax on most savings and investments, although no real benefits have yet to materialise in Amsterdam.

Bonn's decision has been greeted in Amsterdam with considerable glee, albeit courteously contained. Because of the nearly parallel movement of the guilder and D-Mark and of West German and Dutch interest rates, the Netherlands may be the bond market most likely to attract foreign investors fleeing West Germany or cutting back their business there.

Yet the widespread confusion and uncertainty surrounding Bonn's move has dampened enthusiasm in the Dutch bond market. Prices closed little changed yesterday. Few if any Dutch market participants expect The Hague to copy the German action.

"If there are capital outflows from Germany, we would be number one to get them," predicted one bond dealer. "We are close to Germany, and liquidity in Dutch government bonds is good."

The historical interest rate differential between Dutch and German bonds has been narrowing recently, and yesterday some issues carried identical yields. Dutch bonds usually offer a yield premium of 100-150 basis points over German paper to compensate for the less actively-traded currency, smaller economy and slower growth.

The traditional premium could shrink, or yields could move lower than on the German market if demand for Dutch paper surges enough, according to bond dealers.

Clare Pearson adds: Danish kroner bonds could benefit from any flight from the D-Mark sector, but dealers in Denmark said yesterday that so far they had not been aware of any increase in the level of enquiry from international investors since the announcement that the tax would be imposed.

In the Ecu market - the D-Mark is the main component of the Ecu, so any rise in German interest rates should be echoed in the Ecu bond market - the immediate Ecu reaction has been to imitate price falls in D-Mark bonds, although the interest differential has narrowed slightly as Ecu bond prices have fallen to a lesser extent than D-Mark bonds.

Ratners launches convertible Eurobond

BY CLAY HARRIS

RATNERS GROUP, Britain's largest retail jeweller, yesterday launched a £44m convertible Eurobond issue to pay for its latest US acquisition and raise an additional £14m.

The issue was unexpected because Ratners had said last month it would use existing cash resources and banking facilities to pay $48.5m (£29.5m) for the Ohio-based Westhall chain. But Ratners said yesterday the convertible was now its most efficient form of financing in current market conditions.

Yesterday afternoon, the bond, led by Morgan Grenfell, was trading at around 100½, against a par issue price, although it was quoted somewhat higher in the morning following an early rise in Ratner's share price.

The 15-year bonds will carry a coupon of between 4 and 4¼ per cent, and the conversion price is set at 500p, representing a 24 per cent premium over Ratner's opening price yesterday of 404p.

There is an investors' put option after five years, which will be fixed at a price to give a yield of about 9.25 per cent.

The £44m issue will convert into 8.8m ordinary shares, about 4.9 per cent of Ratner's enlarged share capital.

Although existing shareholders are not being offered any clawback, Ratners argued that only the £14m surplus over the Westhall price - which will be used to reduce short-term borrowings - should be counted towards the 2.5 per cent ceiling on share issues without pre-emption rights. However, some institutions yesterday did not view this interpretation as an attractive precedent.

Having raised a total of £204m in two rights issues earlier this year, Ratners did not give serious consideration to a further equity issue.

UK COMPANY NEWS

Lisa Wood looks at Midsummer Leisure's possible takeover of Boddington

Celebrations that may yet go flat

NEXT TUESDAY Boddington, the Manchester-based brewer, plans to celebrate its 100th anniversary of being a public company in a major celebration at which most of the British brewing establishment will be present.

The event could yet turn into a wake. Boddington, one of the oldest brewers in Britain has until 6pm this Thursday to respond to a takeover approach by Midsummer Leisure, the youthful and fast growing operator of discotheques, public houses and snooker clubs.

Midsummer, with a market capitalisation of just under £100m has suggested it would offer seven of its shares for every 15 of Boddington, valuing Boddington at around £270m. No cash alternative has been offered.

Boddington has described the bid proposal, which is not yet a formal offer, as "most unwelcome" and was yesterday meeting with its financial adviser, Kleinwort Benson. What is not yet clear from Midsummer, which holds a 2.1 per cent stake in Boddington, is whether it would proceed with a hostile bid should its overture be rejected.

The takeover, if successful, would be part of an emerging trend of acquisitions of regional brewers by non-brewers. A new breed of entrepreneurs, alive to the retailing potential of strong brands and public houses and critical of their present managements, have in the last few years started to pick off sleepy regional brewers. These include Inn Leisure's acquisition of Devenish, the Cornish brewer, and Brodian's takeover of Buckley's Brewery in South Wales.

It is a development which could accelerate at a time when many of the brewers are wary of trying to acquire other brewers because of the current investigation by the Monopolies and Mergers Commission into the tied house system - through which most established brewers sell the majority of their beers.

Midsummer's approach to Boddington is not the first one to be received by the brewer of a cult real ale and which owns some 560 public houses. In 1970 Boddington fought off a bid from Allied Breweries, the major brewer.

In its successful defence Boddington was assisted by the Whitbread Investment Trust (WIT), an authorised investment trust in which Whitbread, the major brewer, has a 49.8 per cent stake. Then WIT lifted its stake in Boddington from 11 to 23 per cent, effectively helping to block the bid.

WIT currently holds just over 23 per cent of Boddington, a stake critical to the outcome of any bid. WIT has a track record of backing the boards of those companies in which it has a stake should they be a takeover target.

WIT has substantial investments in about 14 regional brewers, including 9.5 per cent in Matthew Brown, the Blackburn-based brewer and neighbour of Boddington, which is currently a takeover target of Scottish & Newcastle Breweries. The trust is at pains not to be seen as simply a blocking mechanism - particularly as its activities are being scrutinised by the MMC inquiry. Some analysts in the City, and Mr Adam Page, chairman of Midsummer Leisure, have suggested a shift in attitude at WIT with the trust taking a more commercial approach to its investments.

Mr Richard Sowerby, investment manager at WIT, said yesterday: "Our approach is consistent in supporting the boards of those companies in which we have an investment. We believe they know their businesses best." However he added that "The board has a duty to shareholders. There comes a time when everything has a price. But Midsummer has not even made an offer yet for Boddington and it is far too early to look at any merits or demerits of a bid."

Ewart Boddington, chairman, faces unwelcome bid

Boddington, according to Midsummer, is a brewer which has lost its momentum with falling beer sales and low lager sales compared to the national average, as well as poor retailing skills. Such criticisms could be levelled at many of the regional brewers struggling to compete in a marketplace where, for example with lager, the major brewers have more marketing clout with nationally advertised brands.

Boddington's star rose in the 1970s with its real ale brand, Boddington bitter. However, pride in its bitter led to complacency and in the early 1980s Boddington failed to seize upon the national trend towards lager consumption and retailing, a major growth area.

In the last couple of years the company, under Mr Ewart Boddington, has struggled to catch-up with an extension of its lager portfolio, rehabilitation of its public houses and substantial investment in catering. All investments, according to Boddington, which will come to fruition in the near future.

However, in the shorter term, it disappointed the City last month when it announced taxable profits of £6.1m, including a surplus of £1m from sales of public houses, for the six months to July 4. The result, 6.1 per cent ahead of the same period last year, was below City forecasts.

Midsummer, by contrast is an aggressive young company built up by Mr Adam Page and Mr Paul Reece who bought CAMRA (Real Ale) Investments in 1984 when it operated seven public houses and two off-licences. Since then it has grown rapidly through acquisitions and now operates 1,340 retail outlets. In the past it has looked at the possibility of acquiring a brewer but negotiations proved unsuccessful.

Currently it buys its beer from a variety of brewers, adopting a "free trade" approach - one that it would hope to partly introduce at Boddington with other brewers' beers competing for shelf space alongside the Boddington brands. Analysts point out this could lead to a rationalisation of Boddington's three breweries, a contentious issue in the north-west of England.

Midsummer's financial track record looks impressive. For the six months to March 31 Midsummer showed pre-tax profits ahead from £404,000 to £851,000 on turnover more than doubled at £5.98m against £2.95m.

However, there are fears that the company, currently absorbing Riley Leisure, Britain's leading snooker club operator, may suffer from over-vaulting ambition at a time when its share price is high. City analysts point out that the company has no experience of the complex business of running a vertically integrated brewery.

Mr John Dunsmore of Wood Mackenzie, the stockbroker, said: "It is a highly ambitious plan which would have to secure the support of the board of Boddington in order to succeed. In addition, the offer consists of paper for paper and so the attractions for existing shareholders are not overwhelming."

Walter Lawrence surges to over £4m

Walter Lawrence yesterday reported a substantial increase from £1.86m to £4.19m in pre-tax profits for the six months to June 30 1987.

The contractor and housebuilding group's turnover rose 20 per cent from £77.98m to £93.72m.

The company also announced that it had agreed to sell its loss-making manufacturing business to Christy Hunt for a total consideration of £6.5m.

Mr B J Prichard, the chairman, said in his interim statement that as a result of the full integration of Poco Properties into the group, a better balance was being achieved between the results for the first and second half-year than was indicated.

Earnings per share improved to 6p (2.8p) and the interim dividend is increased by 25 per cent to 1.25p (1p). The board believed a higher proportion of the total dividend should be paid at the interim stage reflecting the improved profits reported.

The company is to sell its manufacturing business to Christy Hunt for £2.5m in cash.

The divisions of Walter Lawrence Manufacturing include Hiram Wild, Nico Manufacturing, Walter Lawrence Tools, Palmer and Shelley, Wilkinsons Tools and Sheffield Steel Products.

Walter Lawrence Manufacturing incurred an after tax loss of £127,000 (profit £150,000) in the year to December 31 1986.

•Comment

The size of Walter Lawrence's increase in profits yesterday made the 1p gain in the share price to 181p look parsimonious, especially seen against the welcome disposal of the manufacturing arm to Christy Hunt. True, the timing of the Poco acquisition has favoured the first half improvement in a manner which cannot be sustained for the rest of the year, but the continued buoyancy of the housing market and Lawrence's exposure to some its choicest parts suggests forecasts of £11m pre-tax will not be wide of the mark. That puts the shares on a current year p/e multiple of less than 12 compared with an average of 14 for the sector. However, the gap is not so wide on a longer view: a more characteristic advance to £12.5m in 1988 combined with a further rise in the tax charge from 30 to 35 per cent would produce a gap of only half a point between Lawrence's p/e of 11.2 and the sector's 11.7. Given the company's largely unexciting track record, the market may remain to be convinced that the gap is crying out to be bridged.

Confident BM lifts profits to over £5m

BM Group, the expanding construction equipment manufacturer and distributor, more than doubled both profits and turnover in the year to June 30 1987.

Pre-tax profits came to £5.09m (£2.31m) on turnover up from £36.49m to £78.85m. Earnings per 10p share rose 53 per cent to 16.4p (10.7p) and a final dividend of 1.4p (0.99p) is recommended, making 2.3p (1.65p) for the year.

The directors said the reported results did not fully reflect the group's potential. The company was in a strong trading position and prospects for the current year were very encouraging.

It was pointed out that over the past few years, the group had made substantial progress in terms of increased profits, earnings per share and the elimination of gearing. The company's divisions in general were consistently performing to the targets it had set.

The board believed there was now the depth of management strength and organisation throughout the group required to embark on the next stage of growth. The company meant to continue its rapid rate of growth through the winning of new business, developing and extending relationships with existing clients and by establishing and acquiring new business in appropriate fields.

The company's recent acquisitions include Benford Concrete Machinery, Hymac excavators, Haulamatic dump trucks and Ritemixer, manufacturer of truck-mounted mixing equipment.

Tax amounted to £1.03m (£461,000), there was no extraordinary debit (£435,000) and attributable profit came to £4.06m (£1.42m). Transfers to reserves rose to £3.49m (£1.06m).

•Comment

Two facts stand out from another good set of BM figures; the improvement at Benford, where like-for-like figures show a profits increase from £802,000 to £1.88m, and the turnaround in the financial position which left the group with net cash of £3m. As the market absorbed the news, it pushed the shares up 26p to 495p. BM has shown a remarkable ability to exploit its tax losses but even so the tax rate should start edging up from now on; it will probably hit 25 per cent this year and perhaps 30 per cent next. That means that expected pre-tax profits of £7m this year put the shares on a prospective p/e of just over 23. A fancy rating is understandable for a group which managed organic growth of around 42 per cent last year; but for a group which has 85 per cent of its turnover in construction-related products, perhaps it is high enough.

Caffyns jumps 29p as stake is uncovered

BY CLAY HARRIS

SHARES in Caffyns, the Sussex-based motor dealer, rose 29p to 603p yesterday after it uncovered a 5.7 per cent stake held by Mr Colin Giltrap, the New Zealand car distributor who bid unsuccessfully earlier this year for Frank G. Gates, the Ford dealer based in Woodford, Essex.

Although Mr Giltrap was building his holding through four nominee accounts, he has told Caffyns he has no intention of bidding for the company, which has a market capitalisation of £19.5m.

He is, however, only one of three investors which Caffyns has discovered building stakes. Braithwaite Group, the engineering construction company, has a holding below the 5 per cent disclosure level but has told Caffyns that it does not plan to mount a bid. A third party is to meet the company later this week.

Caffyns, like Gates a family-controlled company, is even less vulnerable to a hostile takeover because of voting preference shares owned by the family. Mr Giltrap's ownership of 5.7 per cent of ordinary shares, for example, entitles him to only 3.5 per cent of votes.

Mr Alan Caffyn, chairman and chief executive, said that 55 per cent of votes were in direct family control, with associated interests raising the total above 60 per cent. "We've made it very clear for the past year that the family has complete control and it's not for sale," Mr Caffyn said.

In the year to March 31, Caffyns achieved pre-tax profits of £1.91m (including exceptional profits of £1.2m) on turnover of £110.6m. It holds franchises for Austin Rover, Vauxhall Opel, Fiat, Jaguar/Daimler, Mercedes Benz, Nissan, Renault, VW Audi, Freight Rover and Leyland Vehicles.

Alexandra Workwear up 29%

Alexandra Workwear, manufacturer and supplier of workwear, continued to make progress in the 28 weeks to August 15 1987, with pre-tax profits advancing 29 per cent from £1.94m to £2.5m.

After tax of £923,000 (£718,000) earnings per share come out at 4.73p compared with 3.68p and the interim dividend is raised from the equivalent of 0.92p to 1.1p.

The directors said sales and production continued to increase steadily. Sales in Holland, although relatively small, were over 50 per cent above the same period last year with the new Rotterdam shop beginning to contribute.

To meet increasing demand, the company has recently acquired the lease on an additional warehouse very close to the existing premises in Bristol. This will provide about 70 per cent extra warehousing space and will enable the company to continue its planned expansion programme.

Turnover in the first half rose from £17.29m to £21.67m and the trading profit increased from £2.2m to £2.78m. Interest payable amounted to £281,000 (£263,000).

• comment

The City's view of Alexandra Workwear is uniformly good; the company's ability to produce consistent growth in both profits and earnings per share has ensured that. Margins, which hardly increased in the first half, seem to have been pushed about as far as they can go. However, Alexandra is managing to maintain its share of a steadily rising market, as more and more companies opt for creating a corporate identity through clothing. The problem is that all the good news seems to be reflected in the share price; assuming a jump to £5m at the full year stage the prospective p/e is something over 28. That looks a bit pricey for the average pocket.

Dominion to sell 59% holding in Southwest

Dominion International, the financial services group, has put up for sale its 59 per cent stake in Southwest Resources, the USM-quoted energy group, and is holding talks which could lead to a full bid for Southwest.

Dominion was itself the subject of an abortive bid approach in the summer. Following yesterday's announcement its shares closed at 125p, up 7p on the day, while Southwest closed at 36p, up 4p, giving Dominion's holding a value of about £11m.

The disposal will take Dominion out of the natural resources sector, which it entered 10 years ago with the purchase of the stake in Southwest, which was then very much a mining company. Now, however, its main interests are in oil and gas exploration and production in the U.S.

Dominion's statement yesterday said that it had received several approaches concerning its Southwest interest in recent weeks.

Dominion has also been withdrawing over the past year or so from the property sector to concentrate on financial services. Mr Max Lewinsohn, the chairman, said the property disposals were now about 75 per cent completed and most of the remainder were under negotiation.

Taken with the Southwest disposal, this would mean that by the end of the financial year Dominion would have realised about £50m from disposals. The money was being used initially to reduce its borrowings - which stood at around £30m net in the March-end balance sheet. The company would also be well placed to make acquisitions in complementary areas of financial services.

Really Useful £1.1m purchase

Really Useful Group, the company headed by composer Andrew Lloyd Webber, is buying for £1.09m in cash about 44 per cent of Interactive Information Systems, an electronic publishing company engaged in the design, production and sale of interactive video disc information and training courses.

It is also buying the company's preference share capital and £125,650 nominal of debenture stock for a further £950,000. In the year to last February, IIS earned pre-tax profits of £30,000.

De La Rue

De la Rue, the printer, is buying Dicomed, a Minneapolis-based manufacturer of computer-based design systems, for $12.7m (£7.7m). Dicomed's systems are used in the advertising, public relations and graphic arts industries. It reported sales of $21m in 1986, its last full year.

UK COMPANY NEWS

Two Samuelson directors deny bid knowledge

SIR John Mayhew-Sanders and Mr Richard Gane, two directors of the Samuelson Group, yesterday said they knew nothing of the proposed takeover of the Group when they bought shares on Friday.

Their statement follows share purchases they made on Friday, shortly before the announcement of a recommended £48m bid from Eagle Trust. The Stock Exchange is understood to be investigating the deals.

Both directors reaffirmed that they knew nothing of the proposed takeover when they made their purchases. Eagle had made earlier approaches, through a merger broker, to the Samuelson family; but the first time Sir John and Mr Gane learned of the proposals was on Sunday afternoon when a board meeting was convened to discuss the bid.

Sir John and Mr Gane abstained in the voting at that meeting because they felt there had been insufficient opportunity to assess the merits of the bid. They hope to express their considered views on the offer "as soon as possible".

Sir John is likely to sell his shares and give any profits to charity.

ICI'S Belfast offshoot links up with NET

AFTER THREE years of negotiation Imperial Chemical Industries is to enter into a joint venture with the Irish Republic's troubled state-owned fertiliser company, NET.

Under the terms of the deal announced in Dublin yesterday a wholly owned Belfast subsidiary of ICI – Richardson's and Company – is to merge with NET under the name Irish Fertiliser Industries (IFI).

NET will be the holding company for the Irish Government's interests in the new enterprise, in which it will have a 51 per cent share. IFI will have turnover of some I£140m in its first year.

NET has been crippled by a debt accumulated when building costs overran disastrously during the construction 10 years ago of a plant for converting Irish natural gas from urea. These now stand at I£180m, of which I£20m is to transfer to ICI under the new arrangement.

Announcing the merger in Dublin yesterday Industry Minister Albert Reynolds said the price of natural gas purchased by IFI – a key variable in future operations – will be negotiated at an arm's length basis and would be strictly market related despite the Government's share in the firm.

He also pointed to the unique cross border aspect of the deal, which links the Belfast company, Richardson's - which employs 300 at its single plant - to NET, which employs 650 at its two factories in the Republic.

NET will continue to be a 100 per cent state-owned holding company in the Republic and Mr Reynolds said that he did not envisage any further selling off of its assets.

It has been recognised for some time that there is very little future for the Irish state fertiliser company on its own while it faced the twin problems of its huge debt and contraction in the international fertiliser market.

Negotiations with ICI with a view to a merger, or a 'joint venture' as the Irish government describes it have been going on since 1984.

TRNR tells shareholders: Platou's bid is unfair

TR Natural Resources, a Touche Remnant investment trust, yesterday emphasised its opposition to a bid for control by Platou, the Norwegian company.

In a letter to shareholders it said Platou was not offering a fair price and that TRNR was determined to devise a scheme which is "attractive to the main body of shareholders".

Platou, which has 29 per cent of TRNR, has offered Platou shares at 95 per cent of net asset value and a cash alternative of 94 per cent in its bid to gain up to 54 per cent of the trust.

It says it has been discussing alternatives with TRNR for 10 months but found none of them provided a solution.

TRNR said yesterday, however, there were no effective UK legal or regulatory requirements preventing Platou from supporting other proposals should the offer fail.

"Moreover Platou cannot prevent the passing of an ordinary resolution of TRNR," it said. The significance of this is that an ordinary resolution requires 50 per cent of votes cast while a special resolution requires 75 per cent.

The first closing date for the offer is on Saturday. Platou has said that if the offer goes unconditional on that date then the cash alternative part of the offer will be closed.

COMPANY NEWS IN BRIEF

MERGER CLEARANCES: The proposed acquisitions by GRA Group of Wembly Investment (London) and by BPB Industries of the European plasterboard and related gypsum interests of Intergips Holdings of Switzerland, will not be referred to the Monopolies Commission.

SIMS CATERING Butchers has exchanged conditional contracts for the acquisition of two related companies, Lincs Turkeys and Charnwood Fayre (Wholesale). Initial consideration for two companies is £1.43m to be satisfied by issue of 340,476 new Sims shares. As at January combined net assets of the two companies was £368,945.

AMALGAMATED FINANCIAL Investments: The one-for-two rights issue of £13.5m new shares at 30p per share has been taken up in respect of 13,205,007 shares (97.81 per cent).

DRG: Company has agreed to sell to Abelscot Group for £4.5m cash the remainder of its former Royal Sovereign business including the brands Stephens and Blick.

THE ROBERTSON GROUP: Company has acquired the reprographic business of Thompson Design Associates of Farnham, Hampshire.

S JEROME & SONS (Holdings): Purchased from Hayward Tyler, part of the Sterling Group, the freehold single-storey premises known as Chatsworth Works. It is the board's intention to relocate its spinning company, Merrall Spinning, at these premises in Keighley.

C H INDUSTRIALS: In response to the open offer to shareholders which closed on October 9, applications were received in respect of 20,287,263 new ordinary shares representing 87.49 per cent of those offered. An extraordinary general meeting passed the special resolution approving the acquisition of Gripperods and the related freehold properties, increasing the authorised capital, authorising the allotment of new ordinary shares and disapplying the pre-emption rights afforded by Section 89 of the Companies Act 1985.

AAH HOLDINGS: Company has acquired Rudge Roberts, a wholesale distributor of pharmaceuticals based in Shrewbury, from Glynwed International for 1.43m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Alex Workwear ......int	1.1	Nov 27	0.92*	-	2.58*
BM Group ....fin	1.4	-	0.99	2.3	1.65
NB Canadian Inv. ...int	2.5	-	2.15	-	7.45
R Martin Groome ..int	1.65†§	Jan 4	1.5	-	4
Walter Lawrence ..int	1.25†	-	1	-	4
Jones Group ....int..	3‡	-	2.5	-	8.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Unquoted stock. ØThird market. ‡Irish Currency.†

Profits of NatWest's US arm ahead 18%

By David Lascelles

NatWest USA, the US subsidiary of the National Westminster Bank, earned $20.2m (£12.3m) in net profits in the third quarter of this year, an 18 per cent increase on the same period last year. The rise stemmed from improvements in interest income and other services.

For the first nine months of this year, NatWest USA has made a loss of $165.4m because of an exceptional charge of $220m for provisions against Third World loans in the second quarter. Excluding the provisions, NatWest USA said it would have earned $54.6m, compared with $49.8m in the nine months of last year.

Tunstall in Sound Diffusion bid talks

There is still a prospect of a takeover at Sound Diffusion, the electrical equipment leasing group. Tunstall, the security equipment group which has a 4.9 per cent in Sound Diffusion, said that it was involved in "ongoing discussions"

Earlier this month, Sound Diffusion reported audited profits of just £5.67m, more than £4m lower than the unaudited figures released in June. After the figures were announced, a major shareholder, Mr Bob Seabrook, called on Mr Paul Stonor, Sound Diffusion's chairman, to resign.

Hawley's better conversion terms

BY CLAY HARRIS

Hawley Group, the international services company, said last night it would offer early and improved conversion terms to holders of its sterling-denominated second preference shares. The Bermuda-registered company's wants all of its primary obligations to be based in US dollars.

The proposed change would save Hawley £8.64m per year in preference dividends but increase the number of ordinary shares in issue both earlier and by a greater extent than had been envisaged.

Mr David Hammond, finance director, said that the proposal was "tailored to be neutral" in its effect on both classes of shareholders.

Hawley is proposing to convert the shares, which were issued in March 1986 to buy out the majority of Cope Allman International, on the basis of 16-for-five rather than the original five-for-two. The offer is open until October 30.

Although accepting preference holders would receive an 11.4 per cent increase in capital value, they would see their yield fall from 8 per cent to the 4.8 per cent now available on the ordinary shares, resulting in a 33 per cent fall in income.

Hawley said there had been changes in UK interest rates, the dollar/sterling exchange rate and the market value of its ordinary shares since the preference issue.

The most important factor, however, was the increased reliance on the dollar - it accounts for 75 per cent of revenues after the recent $715m (£440m) takeover of ADT, the leading US supplier and operator of burglar and fire alarm systems.

Brown & Jackson profits boosted by EGH disposal

Brown & Jackson, system builder, has benfited from an extraordinary credit of £1.45m to raise pre-tax profits tenfold from £177,000 to £1.78m in the six months to June 30 1987.

Turnover was slightly down at £9.17m (£9.36m). The trading profit before the extraordinary item was £327,000 (£177,000). After tax of £48,000 (£17,000), earnings per share came to 0.7p compared with a loss per share of 0.4p for the corresponding period last year.

The directors said that as previously reported, the company sold its 50.05 per cent shareholding in EGH Holdings in May. The extraordinary profit is attributed to the disposal.

No capital gains tax is payable on this profit because of the availability of brought forward CGT losses.

Trading was generally satisfactory during the first half. The company retains substantial liquid resources and is actively seeking suitable acquisitions.

Anglovaal Group

Mining companies' reports – Quarter ended 30 September 1987

Hartebeestfontein Gold Mining Co Ltd

[illegible]

14 October 1987

Eastern Transvaal Consolidated Mines Ltd

[illegible]

Prieska Copper Mines (Pty) Ltd

[illegible]

14 October 1987

Consolidated Murchison Ltd

[illegible]

14 October 1987

Loraine Gold Mines Ltd

[illegible]

14 October 1987

Shaftesbury seeks full listing with £26m tag

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Shaftesbury, the property company which had its roots in Stock Conversion before the latter was taken over by P&O last year, is seeking a full listing on the Stock Exchange with a placing of shares which would capitalise it at £26.4m.

It is seeking to place 4.75m shares of £1 each at 180p a share to raise £7.95m.

The share issue would represent 32.4 per cent of the enlarged share capital. The existing shareholders - that is, the family of Mr Peter Levy, the chairman, and Mr Jonathan Lane, the managing director, are not selling any other stock.

The shares have been priced at 26 per cent over their net asset value. The Shaftesbury property portfolio has been valued by Debenham, Tewson and Chinnocks at £26.77m.

Shaftesbury is an investment and development company which is primarily interested in holding its properties 100 per cent, although it does not eschew joint ventures, and seeks to achieve growth through holding on to its assets.

"The principal growth in shareholders' funds will come from underlying asset growth," said Mr Levy. "It is the Shaftesbury Group's policy to retain funds for investment in expanding and developing its property portfolio. The directors therefore intend that, for the time being, the company will only pay dividends of nominal amount," the prospectus said.

The financial year-end of the company has been changed to September 30. In the year to September 1987, pretax profits are estimated at £150,000, compared with £750,000 for the year to September 1986, and no dividends are being paid.

comment

Shaftesbury hits the market running, after net asset growth of 45 per cent in 12 months. Whether that pace can be kept up is inevitably open to question. It is the key to the company. Potential shareholders will be buying the hope of capital growth without any forecasts of what that might be. They therefore will be backing the expertise of Mr Levy and Mr Lane, who are interested in earnings at this stage only to the extent that there are adequate funds to service debt. They do have extensive experience, going back to Stock Conversion days, in the areas in which they have chosen to take Shaftesbury - the core London West End properties are Chinatown and, with Dares Estates, Regent Street-Heddon Street, where there is ample scope for rental increases after reversions and refurbishment. And they have an opportunistic streak - hence acquisitions in centres like Bradford and Gloucester and work on a London South Bank business centre.

Abelscot buys Blick Stephens for £4.5m

By Dina Medland

Abelscot Group, London-based graphic materials and equipment supplier which was one of the first entrants to the Third Market in January, is paying £4.5m for the business and certain assets of Blick Stephens from DRG (UK).

The business sells "Blick" self-adhesive labels, chalks, crayons, rubber bands, carbon films and other related products to the wholesale stationery market.

In order to finance the purchase and provide working capital, Abelscot has arranged the conditional placing of 3,283,118 convertible preference shares at 180p each to raise some £5.625m net.

There will, however, be a clawback for existing shareholders (in priority to the placees) of five convertible preference shares for every four ordinary held. These shares are being made available under an open offer by Alexanders Laing & Cruickshank.

The cash consideration of £4.5m is subject to minor adjustments in respect of the value of the stock and work in progress of Blick Stephens on completion, the company said.

Abelscot sees the purchase as a further step towards the expansion of both its customer list and product range. In June the company paid £4m for DRG's Royal Sovereign graphics business, financed by similar means.

A few months later - in September - it bought Hancocks, a south London-based designer and manufacturer of lightboxes and accessories, for £522,000, paid by a mixture of cash and shares.

In the first half of this year, Abelscot lifted its pre-tax profit to £519,000 (£251,000) on turnover of £2.22m (£1.98m). The results included less than a month's contribution from Royal Sovereign.

Securiguard enters US with £7m buy

BY NIKKI TAIT

Securiguard, the security and industrial cleaning group, is moving into the US for the first time through the acquisition of City Security Guards, a New York company, for up to $11.5m (£7m).

It also announced yesterday a one-for-two rights issue at 260p aimed at raising £8.25m and backed up the call by forecasting a rise of at least 50 per cent in pre-tax profits this year and a 43 per cent increase in dividends.

In addition, the company plans to move from the Unlisted Securities Market to the main market with dealings on the Official List expected to start next Monday.

Securiguard is paying an initial £2.1m for CSG. The final payment, which will depend on CSG's profits for the two years to December 31 1988, is expected to be about $9m.

CSG provides security guards and lobby attendants for apartment blocks and commercial premises in New York and New Jersey. It acts for about 120 clients. In 1986 it made pre-tax profits of $986,000 ($672,000) on sales of $9.52m ($7.96m).

Mr Alan Baldwin, Securiguard chairman, said he expected rapid growth from CSG and any other US interests acquired by the group.

His company saw potential in the US because of the size of the market and its fragmented nature. New York offered scope because of the preponderance and density of large high rise blocks.

Securiguard's trading has been buoyant in the second half with new business gains of more than £3m on an annualised basis. Directors say pre-tax profits in the year to October 25 will be at least £1.5m (£1m). They plan to pay a final dividend of 3.3p, which would result in a total payment for the year of 5p, up 43 per cent.

The rights issue, which has been underwritten by Phillips & Drew, will add 3.48m shares to the register of about 6.9m.

Mr Baldwin, fellow director Robin Pritchard and their families, who own about 40 per cent Securiguard shares, are arranging for most of their rights entitlement to be placed. Their share in the company will be reduced to about 30 per cent.

NB Canadian Inv.

Net asset value per 25p share of the North British Canadian Investment Co. rose by 255.1p to 398.5p over the year ended August 31 1987.

Revenue for the half year to end-August rose to £213,481 (£243,639) after tax of £122,058 (£101,696). Earnings per share amounted to 4.64p (3.61p). The interim dividend is stepped up to 2.5p (2.15p).

WYNDHAM GROUP: Company is acquiring additional premises in Cardiff for a consideration of £750,000. The property will be used to expand the group's motor distribution interests.

Porter Chadburn's sports deal

BY DINA MEDLAND

Porter Chadburn, the food and drink equipment, engineering and plastics group, has agreed to buy Tasco, a distributor of products in sports and leisure markets, for an initial consideration of £8.6m, the company announced yesterday.

The purchase is to be financed by the issue of 5,505,104 new Porter Chadburn 5p ordinary shares to the vendors, of which 1,827,164 will be retained by them, and the balance placed on their behalf.

An additional 1,154,712 new ordinary are being issued for cash to finance costs associated with the acquisition and to provide additional working capital for the enlarged group.

These have been placed conditionally with investors by Charterhouse Bank but are subject to recall for the purposes of an offer enabling Porter Chadburn shareholders to buy them at the placing price of 120p per share. Brokers to the issue are Panmure Gordon.

Tasco's principal activities include the distribution and marketing of sports equipment, optical goods and toys to retailers, wholesalers, department stores and mail order companies. The company has warranted consolidated pre-tax profits for the year ended September 30 as "not less than £750,000."

This compares with pre-tax profits of £492,000 on turnover of £10m for the same period a year ago. The group's net assets at September 30 1986 amounted to £1,805,000.

Porter Chadburn may pay an additional £1.2m in respect of three years ending September 30 1990 if Tasco's aggregate consolidated pre-tax profit for the three years ending September 30 1990 exceeds £3m. A further £250,000 becomes payable if the aggregate pre-tax profit for the group for this period exceeds £4m.

In July the board of Porter Chadburn announced that the company should be developed into a "significant industrial holding group" including a consumer-oriented division. The Tasco purchase is seen by the company as the first step in the implementation of this strategy, and one that will provide a basis for further acquisitions in the consumer and leisure areas.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Abbey Life, Alfa-Laval AB, Allebone, Avis Europe, Beach Tin, Guthrie, Harrisons & Crosfield, Helene of London, London & Associated Investment Trust, Radamec, Spirax-Sarco Engineering, Svenska Cellulosa Aktiebolaget, Tudor, Turriff Corporation, USI.

Finals- Britannia Security, Cradley Print, [illegible], Tay Homes.

FUTURE DATES

Interims-	
Anchor Chemical	Oct 20
Gerrard & National	Oct 22
Larcs	Oct 19
River & Mercantile Geared	
Capital & Income Trusts	Oct 15
Sunleigh Electronics	Oct 22
Finals-	
Fleming Japanese Inv Tst	Oct 15

Baldwin moves into printing

BY CLAY HARRIS

Baldwin, the concrete products and property group, moved into specialist printing yesterday with the acquisition of Southampton-based Snows Business Forms for £2.72m.

Baldwin, which got new management in May when more than two thirds of its shares changed hands, also launched a five-for-12 rights issue to raise a total of £3.4m. Its shares gained 1p to 203p, compared with the rights price of 160p.

Mr Colin Gervaise-Brazier, chief executive, said that specialist printing would form the third leg of Baldwin's business, and that further acquisitions were planned in the fragmented market. The property development side was also likely to expand into housebuilding.

Mr Gervaise-Brazier, a former executive director of B&Q, the DIY chain now owned by Woolworth, said he hoped before long to increase Baldwin's market capitalisation to £100m, from less than £10m before the rights issue.

Snows' main product is continuous computer stationery, with motor distributors accounting for about one quarter of its customers. Formerly owned by a family-controlled company, it was the subject of a management buy-out in 1983.

In the year to May 31, it achieved pre-tax profits of £217,000, before exceptional directors' bonuses, on turnover of £3.2m. Pre-tax profits have been warranted at £300,000 for the current year.

Mr Guy Askham, Baldwin finance director, is a former partner of Southampton accountants Burnett Swayne & Co, Snows' auditors. As part of the purchase, two senior Snows managers are retiring, and the other two directors will remain on three-year service contracts.

Some £2.4m of the rights issue proceeds will go to the Snows vendors, who will take the balance of the purchase price in shares. Baldwin is also raising £1m in working capital.

Power goes for a quote with a £42m valuation

By Richard Tomkins

Power Corporation, an Irish shopping centre developer, is coming to the London and Dublin stock markets through a placing which will value it at I£47.1m (about £42m).

London brokers James Capel and Dublin brokers Goodbody James Capel are placing 13.6m new shares in the company at 123 Irish pence a share, or about 110p sterling. The issue price is 14.75 times forecast earnings for the year to December 1987.

The group has five shopping centres - two in Dublin, two in Cork, and one in Manchester.

Power also undertakes performance-related property projects.

The prospectus for the flotation shows a chequered profit and loss record over the last five years, with pre-tax losses in 1982 and 1984.

The company attributes its variable performance to periods of high interest rates and poor market conditions in the Irish Republic.

Mystery suitor peels off his disguise

Peel Holdings, the Rochdale-based property company, yesterday admitted that it was the mysterious potential bidder for the Mersey Docks and Harbour Company whose "very preliminary approach" was revealed by the company on Monday, writes Ian Hamilton Fazey, Northern Correspondent.

Peel stressed, however, that the MDHC's value depended on whether the Government - the largest shareholder with 20.67 per cent - would want repayment of £107m in grants made to the MDHC to help it pay for dockers' redundancy schemes and modernisation. The MDHC has traded profitably for four years as a result of the changes the money helped bring about.

If the money had to be repaid Peel claimed yesterday that the result would be a net deficiency of £70m in shareholders' funds.

Peel, which spent £5.15m building a 10.06 per cent stake during the summer, is unlikely to proceed on that basis.

It stressed that its discussions so far had been "tentative" and concerned "potential areas of common interest."

Peel is chaired by Mr John Whittaker, the property developer who owns Highams, the private Lancashire textiles manufacturer, which won a takeover battle in February for the Manchester Ship Canal Company.

The MSCC operates the Mersey's other big profitable port besides Liverpool - the lower reaches of the canal between Ellesmere Port and Runcorn, where there is a large concentration of oil and chemicals industries.

Several hours passed yesterday before Peel's statement. It is understood that the MDHC's statement caught Peel by surprise and that Peel then had discussions with the Takeover Panel to stress that it was not actually making a bid.

The MDHC would not elaborate yesterday on its own statement of Monday and has not said whether it is hostile to Peel.

However, the MDHC's unilateral, carefully worded revelation of an approach soon exposed Peel as the only real candidate because of its recent share buying.

Publicity is unlikely to help further discussion or negotiation. Dismay at the disclosure was clear at Peel yesterday.

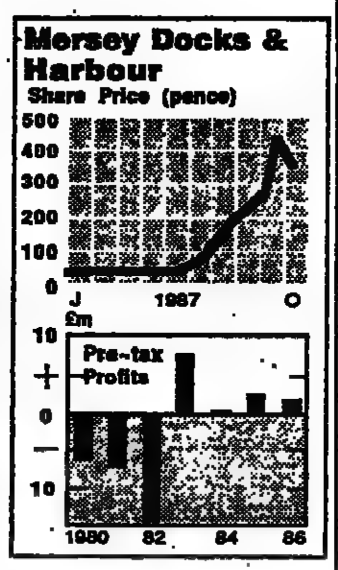
Mr Trevor Furlong, managing director of the MDHC, told the Financial Times last year the company was very confident about its prospects.

The transformation in attitudes and profitability achieved in recent years has even scotched the notion that Liverpool is on the wrong side of Britain for the trade of the 1990s.

Mr Furlong believes that port operations are now about providing a reliable service. He believes good service brings traffic even if there is a slight disadvantage over location.

An example was given yesterday by Mr Eric Leatherbarrow, the MDHC's spokesman, who said that stockholding operators in Liverpool's freeport had been attracted from more established continental freeports.

Having turned the fortunes of the business round under the leadership of Mr Furlong and, before that, his predecessor Mr James Fitzpatrick, it is unlikely that members of the MDHC management would feel happy about Peel taking over and reaping the benefits of their hard work in restructuring.



Ian Hamilton Fazey examines Peel Holdings interest in the docks

Why a merger on the Mersey could make sense

THERE IS a quietness about the Port of Liverpool these days. Few ships sail up the channel between the Great Burbo Bank and the Waterloo seashore compared with 20 years ago, when a strike in the port might trap 80 or more in the docks and force banana boat captains to jettison their rotting cargoes in the Irish Sea.

But the quiet is deceptive. Shipping technology has ensured that one big, modern container vessel can do the work of seven old general cargo ones. They used to be in port for up to 10 days at a time. In Liverpool today the new ships sail in on one rising tide and go out again before the next has ebbed.

The crews who work the giant, turquoise-painted cranes that tower over the Royal Seaforth Dock ensure it. In 1985 they adopted new flexible methods that, overnight, raised their work rate from 12 boxes per crane hour to 22. A series of two-year pay agreements and joint problem-solving with management have transformed labour relations.

"Liverpool is now one of the most stable ports in Europe," Mr Eric Leatherbarrow, spokesman for the Mersey Docks and Harbour Company, said yesterday. "We have had five years strike-free and in 1986 we did not lose a single day through a dispute."

This helps answer one of the biggest questions in the City this week - why is the MDHC worth buying?

Because of productivity improvements brought about by new working practices and massive, Government-subsidised labour shedding, the MDHC has been profitable since 1983. It is doing well in bulk cargoes - containers, timber, grain and oil.

On Monday the company announced a tentative approach from a possible buyer. The news heralded a 23 per cent increase in its share price to 480p, which fell back on profit-taking yesterday morning to 415p.

Peel Holdings, the Rochdale-based property company, revealed itself yesterday as the interested party. It is already the second biggest shareholder, with 10 per cent. But Peel made it clear that the MDHC is virtually unsaleable if the Government, the biggest shareholder, wants repayment of the £107m in grants with which the MDHC paid for the modernisation and job-shedding that has led to profitability.

The Government owns 20.67 per cent of the MDHC, a situation that arose from the collapse of the old, shipowner-dominated Mersey Docks and Harbour Board in 1971 when it could not fulfil its obligations to investors. It had to be rescued through a Government-led restructuring operation under Sir John Cuckney.

In 1980, however, the MDHC was on the brink of bankruptcy because of overmanning and falling revenues as recession hit trade. It turned to its biggest shareholder for the financial help that has enabled a 50 per cent reduction in the labour force to 2,200, of whom 1,200 are dockers. The MDHC has a redundancy offer on now to get dockers' numbers down to under 1,000.

This, coupled with a successful freeport that has so far brought in 500,000 tonnes of goods and £120m of extra trade, suggests continuing recovery, but why would a property company like Peel be interested in taking over?

The answer lies in two things - land and Peel's connections. Peel is a publicly quoted company - its annual general meeting is in Manchester today - chaired by Mr John Whittaker.

Mr Whittaker owns Highams, the private industrial textiles company which in February won its nine-month struggle to take over the Manchester Ship Canal Company. Mr Robert Hough, a Manchester solicitor, is a director of Peel and chairman of the MSCC.

Although Manchester's docks are disused, the loss-making upper reaches of the canal are carried by the highly profitable lower reaches in the Mersey estuary between Ellesmere Port and Runcorn.

The area is dominated by ICI and Shell, although there is some container traffic besides chemicals, as well as tankers full of Guinness from Dublin which sail in for bottling near Runcorn.

Besides profitable port operations, the MSCC and MDHC also have another type of asset in common - developable land. For the MSCC it is along the banks of the canal and includes a greenfield site for a projected out-of-town shopping mall near the nexus of several motorways in Greater Manchester.

The MDHC has 60 acres of redundant dockland in the Liverpool city centre. In July, it announced a £300m scheme to develop this as a retail, leisure and office complex with Errill Holdings, a Nottingham property company.

Relations between Errill and the MDHC appear to have cooled since, casting doubts over the scheme.

Bringing the Mersey's two major ports - the ship canal and Liverpool docks - under common or at least closely connected ownership would actually make a great deal of sense and, probably, money, although the property side presents more of a risk because of planning controls and doubts about the size of the north-west's retail market.

However, everything now depends on the Government's view. The MDHC is, in effect, one-fifth nationalised. In an age of privatisation, Peel's position as a quoted company could make it look a very attractive suitor.

Trevor Furlong, managing director of the MDHC - port operations are providing a reliable service

Cecil Gee cuts loss to £0.3m

Cecil Gee, the USM-quoted retailer and designer of menswear, has reduced pre-tax losses from £1.9m to to £344,000 in the 26 weeks to August 1 1987.

The board said yesterday that the underlying trend of current trading indicates continued progress in the return to profitability.

Turnover (excluding VAT) was £8.73m (£9.37m). Loss per share was reduced to 3.9p compared with 21.7p for the corresponding period last year.

Operating expenses were £323m (£354m) for continued activities and nil (£1.38m) for discontinued activities, the latter relating to the Gee 2 division.

The directors said that while the first half was traditionally the weaker trading period, turnover for the 26-week interim was ahead of that for last year, which was for 27 weeks.

They believed this momentum would continue through the second half. Plans were at an advanced stage for the opening of a further branch of Savoy Taylors Guild in the City of London. Cecil Gee had also recently opened a new branch in Birmingham which was trading satisfactorily. The company would continue to look for expansion activities.

Publishing bid unconditional

By Clay Harris

Publishing Holdings, the Third Market-listed financial publishing and marketing services group, yesterday declared unconditional its takeover bid for Investors Newsletters, which values the OTC-traded financial information company at £1.55m.

It now holds a total of 91.4 per cent. The high level of acceptances indicates that shareholders in Investors who bought shares under the Business Expansion Scheme have taken the offer even though they will lose their tax relief.

With Publishing shares at 64p, its one-for-two share offer values Investors shares at 32p, more than twice the 15p subscription price.

Before the clawback of tax relief, the net cost per share ranged from 6p for a 60 per cent taxpayer to 10.5p for a basic-rate taxpayer. A cash alternative of 11p will remain open only until October 26.

R Martin Groome advances by 47%

Ronald Martin Groome, a fast expanding USM quoted wholesale stationer and office equipment supplier, yesterday reported a 65 per cent increase in turnover and a 47 per cent jump in pre-tax profits for the half year to end June.

Turnover was £10.7m (£6.5m) and pre-tax profits were £1.01m (£683,000). After net interest charges of £143,000 (£76,000) and tax of £350,000 (£254,000) earnings per share emerged 2p higher at 7.5p. The interim dividend is raised from 1.5p to 1.65p per 10p share.

The company is sustaining growth both organically and through acquisition. Following the acquisition of Typex, the company has now agreed to acquire Bob Boyd Stationers for £450,000 to be satisfied by the issue of 182,500 new ordinary shares, 112,500 of which are subject of a vendor placing. Boyd made profits of £80,137 on a turnover of £883,789 for the year ended March 31.

Mr Martin Abramson, chairman, said RMG's turnover was buoyant in all areas of operation, marketing activities were being intensified and further potential acquisitions were under investigation. In summary, Mr Abramson said prospects for the full year were most encouraging.

Jones 19% ahead despite engineering setback

Jones Group, which has interests in manufacturing, shipping, distribution and engineering, lifted pre-tax profits by 19 per cent to I£1.85m (£1.66m) in the half year ended June 30 from a previous I£1.56m. Group turnover rose from £32.48m to £34.41m.

Directors of the Dublin-based company are paying an increased interim dividend of 3p (2.5p). Earnings moved ahead from 8.7p to 14.79p per 10p share.

In the first half the manufacturing, shipping and distribution divisions increased earnings and the directors said that growth was set to continue.

The engineering contribution was lower and the market continued to be extremely weak, they added. The start of many projects had been delayed and others curtailed. They said that the domestic engineering companies must continue to adapt to that situation and prospects for growth were largely confined to the UK. For the full year the division would do well to generate profits at last year's level.

Overall, they expected group pre-tax profits for the year to show significant growth, and earnings, enhanced by the absence of a tax charge, to be much higher than last year.

The results for the first half do not reflect the group's July acquisition of Enviroquip, a US maker of water treatment plants, nor the operation of its new vessel.

Group trading profits rose by £100,000 to £2.39m in the six months and the pre-tax result was after depreciation of £642,000 (£650,000) and higher interest received of £103,000 (£82,000).

There was no tax (£684,000). Minorities took £44,000 (£84,000 credit).

Readicut in £7.5m deal

BY DAVID WALLER

Readicut International, the specialist textiles group, is buying William Hoyland, a South Yorkshire-based company which makes umbrella frames, for about £7.5m in cash and shares.

Mr Clive Shaw, the chairman of Readicut, said yesterday that Hoyland would fit snugly into Readicut's light engineering activities, which accounted for 20 per cent of the group's turnover of £147m in the last financial year.

Hoyland specialises in making frames for golf, fishing and sun umbrellas, servicing primarily the leisure market at home and overseas. It manufactures and assembles the component parts of an umbrella but does not furnish the covering.

Hoyland made pre-tax profits of £702,000 on turnover of £3m in the year to September 1986. For the nine months ended June 26, pre-tax profits amounted to £953,000 on sales of £3.4m. Net assets at that date amounted to £3.8m.

COMMODITIES AND AGRICULTURE

Moscow sees no future in futures

BY DEBORAH HARGREAVES IN CHICAGO

MR VIKTOR NIKONOV, the Soviet Agriculture Minister, ruled out any prospect of the Soviet Union using the Chicago futures markets for hedging during his visit to the city's two major exchanges last week. "That game is too risky," he said, "it is not governed by any laws of physics."

Mr Nikonov, who is spearheading Mr Mikhail Gorbachev's drive to reform the Soviet Union's vast agricultural industry, visited the Chicago Mercantile Exchange and Board of Trade as part of a week-long tour of the US.

He gazed bemusedly at the main agricultural futures pits at Chicago's Board of Trade, as traders, gesticulating wildly and shouting, continued to trade around him. He said later, however, that he felt no emotion after visiting the busy exchange floor. "It was as if I saw what I knew for a long time," he explained.

Mr Nikonov stressed that the Soviet Union would increase its level of US grain imports in coming years if the US would buy more of its goods. "The more you buy from us, the more we'll buy from you," he said, adding that the Soviet Union currently sells to West Germany in order to earn the hard currency to pay for US grain.

This year's Soviet harvest will not be bad, Mr Nikonov said, "despite the fact that the summer was indeed difficult." US estimates puts its grain crop at 210m tonnes, the second successful harvest in a row.

The fight against bureaucracy in Soviet agriculture has only just begun, Mr Nikonov noted, with the reforming of the education system for farm specialists.

On his visit, which included an American supermarket and Disneyworld as well as farms and agricultural research centres, he called for more exchanges between US and Soviet farmers and even suggested an apprenticeship programme for young Soviet farm managers with a US equipment maker.

Britain's Farm Minister reponds to EC budget stabiliser proposals

MacGregor backs economy drive

BY BRIDGET BLOOM

THE EUROPEAN Commission's proposals for stabilising spending on the Common Agricultural Policy are a "major key to progress" in resolving the Community's financial crisis, Mr John MacGregor, Britain minister of Agriculture, said in London yesterday.

The Minister said that with the exception of two issues, on which he did not agree with the Commission at all, the stabiliser proposals could "set the CAP on a sound and sensible basis."

Mr MacGregor, who was addressing an audience of some 50 members of the Farmers Club, was commenting publicly for the first time on proposals which the Commission introduced at the end of last month to limit spending on each major commodity within the CAP.

The proposals are designed to curb spending on the CAP as a whole and will be the subject of intense ministerial negotiation over the next few weeks, beginning with the Farm Ministers themselves on Monday and culminating in the heads of government summit in Copenhagen in early December.

Mr MacGregor said that he approved of the main measures proposed for cereals, which involved price reductions after a production threshold had been met, as well as tighter regulation of prices during the actual year of production rather than in the subsequent year. However, Britain opposed any increase in the co-responsibility levy on cereals. Being effectively a tax which increased the price of a commodity to the consumer. These levies gave "precisely the wrong response." Mr MacGregor said.

He believed that the Commission's proposals to make the sugar support system self-financing on a year-by-year basis was sensible, as were proposals to put guarantee thresholds on the production of peas and beans.

Mr MacGregor said he approved the proposals to cut further the guaranteed price of oilseeds, since, despite last season's 10 per cent price cut, there had still been record Community crops.

However, Britain was deeply opposed to the Commission's propsed oils and fats tax, Mr MacGregor said. The tax would actually be a "destabiliser" since it would not curb production but would raise new revenues—effectively through a consumer tax—to help pay for expected future surpluses.

Mr MacGregor also declared his opposition to the Commission's proposals on sheepmeat, which would phase out the special weekly payments, known as the variable premium, enjoyed by British producers.

Britain accepted that sheepmeat must be made subject to the same budgetary discipline as other sectors, the Minister said, but he claimed that the proposals would discriminate against British producers by submitting them to a separate production threshold.

Brussels plans to refine sugar regime

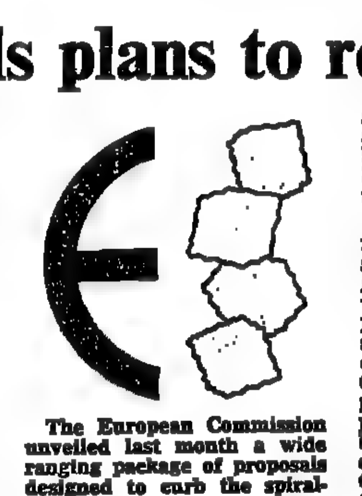
THE EUROPEAN Commission, in its drive to curb farm spending, is proposing very few changes to the Community's common sugar policy. This is not so much because the system is cheap (it is not, overall), or because it has not had a distorting effect on world trade, but rather because its charges on the Community's public purse are slight.

Community officials describe the sugar regime as "mature," because it is largely self-financing. Its critics point out, however, that its costs are passed on to the EC consumer (to the tune of Ecu 2.4bn in 1982 prices according to one estimate), while its distorting effects are felt by those countries which produce but do not support sugar to anything like the same extent. These include Australia and several developing states.

The main direct cost to the Community budget of protecting EC sugar beet growers and its manufacturing industries is accounted for by export subsidies ("restitutions" in Community jargon) on about 1.3m tonnes of sugar a year. These payments aim at bridging the gap between the high internal EC price and world prices. With world prices at their present low levels the bill for this currently amounts to some Ecu 600m a year.

Subsidies on the rest of the Community's exports, amounting to nearly 3m tonnes a year, are financed by producer levies which the Commission is now proposing substantially to augment to cover expected deficits over the next few years.

The EC's common sugar policy dates from 1968, when the EC was a net importer of sugar. Within a decade, under the stimulus of protection, as well as technical developments which brought higher yields, the EC had become the largest exporter to the free world market, exporting a record 5.8m tonnes, or a fifth of world market sugar in 1982.



The European Commission unveiled last month a wide ranging package of proposals designed to curb the spiralling costs of the Common Agricultural Policy. In the eighth sector-by-sector article on the proposals, BRIDGET BLOOM examines the Commission's plans for sugar, which will be on the Farm Ministers' agenda in Brussels next week as they open negotiations on the package as a whole.

Production has now levelled off at around 13.5m tonnes a year, of which the Community consumes 10.7m tonnes (white sugar equivalent) a year. France is the largest producer with some 3.6m tonnes, followed by Germany (2.6m tonnes) and the UK (1.14m tonnes).

The EC protects the sugar beet grower and the sugar industry through high internal prices maintained via import levies. In the 16 years from 1968-69, the Community's internal price dropped below the world price three times. Mostly it was two to three times more.

Sugar production in the EC is subject to quotas, which the Commission does not propose to alter. (The sugar regime is subject to five year reviews: effectively quotas have remained the same now since 1981). There are two types of quota, divided between sugar producing member states and operated through the sugar industries.

The so-called A quota is roughly equivalent to EC consumption. It carries full price guarantees, while the B quota, which is equivalent to EC exports, carries a lower level of support. Any sugar produced over these quantities is termed C sugar. This attracts no support and must either be exported or carried forward to become the first tranche of A quota the following year. (Such C sugar can be stored, which the cost being borne via a storage levy).

A levy of 2 per cent of the guaranteed price per tonne is made on both A and B quota, while additional levies of up to 37.5 per cent can be made on B quota sugar. These levies are the chief means of financing the sugar regime. However, so low have world prices been in recent years that they have proved insufficient to meet the heavy costs of export subsidies.

In 1986, the Community agreed to a further levy, called the elimination levy, which over the five years to 1990-91 will raise an extra Ecu 80m a year. This will eliminate an existing deficit of some Ecu 400m.

Now, in its only new proposal for the regime, the Commission is seeking yet another levy, to be known as the special elimination levy, to deal with estimated deficits in the years ahead. The new levy would vary depending on the world price, but for the 1986/87 it would be about Ecu 227m (compared with total levies which are now running at about Ecu 579m a year).

The final major piece in the Community's sugar policy is its undertaking to import up to 1.3m tonnes of sugar a year from the African, Caribbean and Pacific (ACP) countries which are associated to the EC under the Lome Convention. EC producers refuse to take responsibility for what is effectively an addition to the Community's sugar surplus. So the Community budget bears the costs of the subsidies needed to export an equivalent amount of sugar.

The EC sugar regime has been criticised for its distorting effect on the world trade in sugar. The Australian Bureau of Agricultural Economics estimated in the early 1980s that the cost to the Australian economy of the lower prices which EC production has helped to create, was between US$72m and $139m a year, while the corresponding annual costs to the developing countries that supply the world market were between $280m and $510m.

However, the Commission has taken a tough line on this issue. It has made clear that it intends no reform of the sugar regime unless and until there is a concerted international attempt at reform.

Currently all efforts to put teeth into the International Sugar Agreement appear stymied. While the ISA is the obvious forum for international regulation, informal talks between the big four exporters — Brazil, Australia, Cuba and the EC — broke down earlier this year over market sharing. There seems little hope of their imminent revival.

Meanwhile, the Commission's new proposal for sugar is being discussed at working group level in Brussels. The talks are already heated, for not only do the sugar industries object to the payment of further levies, but the member states dispute *the Commission's methods of* distributing the burden of the new levies between them. Under the Commission's proposals, the Germans and French, as the biggest surplus producers, would pay the lion's share of the new levies, while Britain, as a deficit country, would get away relatively lightly.

WEEKLY METALS

ALL PRICES as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,270-2,310 (2,230-2,250).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.50-4.65 (4.45-4.60).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.35-2.55 (2.17-2.24), sticks 2.35-2.55 (2.17-2.24).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.50-6.70 (6.45-6.70).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 305-310 (unchanged).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.95-3.05 (unchanged).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 6.10-6.50 (5.90-6.10).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 39-53 (38-50).

VANADIUM: European free market min 98 per cent V_2O_5, other sources, $ ped lb V_2O_5, cif 2.75-2.85 (unchanged).

URANIUM: Mexico exchange value, $ per lb U_3O_8, 16.65 (same).

Israeli farmers destroy 23,000 tonnes of surplus avocados

BY JUDITH MALTZ IN TEL AVIV

ISRAELI FARMERS were forced to destroy 23,000 tonnes of their bumper avocado crop in the 1986-87 season, after having saturated both their local and foreign markets. As a result, exports of the high value food, virtually all to the European Community, fell short of the record 100,000 tonnes originally projected.

Mr Ezra Meir, head of the Israeli Fruit Production Board, explains that the European market was simply not ready to absorb this production glut. "We have invested up to US$60m over the past 25 years in teaching Europeans about eating avocados," he said. "But obviously, schooling takes time."

This unusual bumper crop, mostly the result of last winter's exceptional rainfall, also caught Israeli farmers by surprise, coming four years ahead of schedule. "The problem," Mr Meir says, "is that the market can only take a 10 to 15 per cent increase per year."

All told, Israeli exports of avocados, which account for over a quarter of all non-citrus agricultural exports reached 87,000 tonnes in 1986-87, up sharply from the 47,000 tonnes sold in the previous season. Although the sales brought in an increase of almost 70 per cent in dollar revenues, to $82.5m, the oversupply depressed prices in Europe—where Israel holds a dominant 90 per cent share of the avocado market during the winter—by an average of 20 per cent.

While France alone still takes the lion's share of Israel's avocado exports, with 60 per cent last season, the biggest increase was registered in the UK, where consumption over the year virtually doubled.

Because of last season's exceptionally high yields, growers extended their marketing season beyond its usual end in April to July. Hence, Israel found itself for the first time competing against South Africa, Europe's main summer supplier of avocados, which begins marketing its crop in April.

Ironically, what was Israel's greatest fear at the start of last season—that Spain, as a new member of the EC, would cut into a large segment of its market—proved to be unfounded. Spanish avocado exports fell below projections, barely reaching 10,000 tonnes. In fact, for the first time ever, Israel exported avocados to Spain.

A reversal of trends is expected, however, in the current 1987-88 export season, which begins this week. Israel's overseas sales are forecast to drop to 55,000 tonnes, while Spanish exports are expected to virtually double to 18,000 tonnes.

What especially hurt Israel's just harvested avocado crop was a heat spell last May, which officials estimate destroyed 20,000 tonnes. Because they will be selling so much less, Mr Meir says, growers are sure to seek higher prices in compensation.

LONDON MARKETS

THE ALUMINIUM market reasserted its strength with a vengeance yesterday, with prices reaching record highs at one stage. Profit taking had trimmed the three months price for standard metal by £25 on Monday, following last week's substantial advance. But yesterday covering against potential options declarations found the market very thin and the forward price was lifted to £1,159 a tonne during the morning. The market fell back from that level but rallied in the afternoon to close with a net gain of £41 a tonne at £1,1580.0 a tonne. The cash price closed £54.50 up at £1,289.50 a tonne while the dollar-demoninated high grade cash quotation registered an $87.50 rise at $22,127.50 a tonne. Dealers said the rise reflected a continuation of the long term bull trend, which was based on good physical demand, low stocks and technical tightness of LME supplies. The nickel market was also strong, with the cash position adding £85 to Monday's £47.50 advance. Dealers attributed the rise mainly to nervous covering against earlier *short sales and chart-inspired* speculative buying.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Oct. 13	Oct. 12	M'th ago	Year ago
1681.5	1677.3	1656.3	1598.9

(Base December 31 1931=100)

DOW JONES

Dow Jones	Oct. 12	Oct. 9	M'th ago	Year ago
Spot	127.89	127.98	—	122.47
Fut	133.09	133.02	—	125.65

(Base December 31 1931=100)

MAIN PRICE CHANGES

	Oct. 13 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$2095/105	+30	$1735/755
Copper			
Cash Grade A	£1200	—25	£1094.5
3 months	£1163.75	—2.25	£1081.25
Gold Troy oz	$459.75	—22.5	$459.5
Lead Cash	£370	+2.5	£386.5
3 months	£359.5	+1	£373.25
Nickel			
Free Mkt	252/272c	+5	236/256c
Palladium oz	$153.75	—1.25	$137.50
Platinum oz	$573.00	—6.25	$581.75
Quicksilver†	$295/305		$300/310
Silver troy oz	470.25p	—3.35	459.40p
3 months	481.80p	—4.05	480.80p
Tin			
free Mkt	£4185/190	+7.5	£4165/199
Tungsten	$51.15		$55.47
Wolfram 22.0lb	$38/50		$40/57
Zinc	£461.5		£447.5
3 months	£456.25		£452.5
producers	$820		$860
OILS			
Coconut (Phil)	$485w		$480
Palm Malayan	$350z		$355
Seeds			
Copra (Phil)	$320		$316
Soyabean (U.S.)	$154	—1	$153.5
GRAINS			
Barley Fut. Jan.	£106.40	—0.15	£101.65
Maize	£133.50	+2.5	£158.00
Wheat Fut. Jan.	£112.50	+0.30	£105.70
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1197.5	—10	£1293.5
Coffee Ft. Jan	£1389.5	—4.5	£1296
Cotton A Ind.*	76.85c	—1	83.15c
Gas Oil Dec.	$165.25	—0.25	$159
Rubber (kilo)	66.75p		71.5p
Sugar (raw)	$176.4w	+5.2	$150.2
Wooltops 64s	495p kilo		495p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec.

ALUMINIUM

99.7% purity	Unofficial close (p.m.)	+ or —	High/Low
	$ per tonne		
Cash	2125-30	+87.5	—
3 months	1940-5	+47.5	1865/1880

Official closing (am): Cash 2,095-105 (2,015-25), three months 1,940-5 (1,880-5), settlement 2,105 (2,025). Final Kerb close: 1,930-40. Ring turnover: 1,200 tonnes.

99.5% purity	£ per tonne	+ or —	High/Low
Cash	1288-91	+54.5	1285/1262
3 months	1158-9	+41	1164/1154

Official closing (am): Cash 1,282-3 (1,227-8), three months 1,151-2 (1,120.5-1.5), settlement 1,283 (1,228). Final Kerb close: 1,159-60. Ring turnover: 18,175 tonnes.

COPPER

Grade A	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	1199-201	—2.5	1228/1222
3 months	1163.5-64	—2.5	1182/1161

Official closing (am): Cash 1,223-4 (1,189-200), three months 1,181-2 (1,158.5-9.5), settlement 1,224 (1,200). Final Kerb close: 1,162-3.

Standard			
Cash	1190-5	—8	
3 months	1154-60	—2.5	

Official closing (am): Cash 1,204-10 (1,165-7), three months 1,175-6 (1,150-2), settlement 1,210 (1,167). US Producer prices [illegible] cents a pound. Total ring turnover: 60,928 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	369-71	+2.5	368/—
3 months	359-60	+1	361/355

Official closing (am): Cash 367.5 (365-6), three months 357-7.5 (357-7.5), settlement 367.5 (366). Final Kerb close: 357.5-8.5. Ring turnover: 10,525 tonnes. US Spot: 42 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3400-10	+85	—
3 months	3380-5	+88.5	3410/3350

Official closing (am): Cash 3,410-5 (3,303-10), three months 3,350-5 (3,305-10), settlement 3,415 (3,310). Final Kerb close: 3,405-15. Ring turnover: 2,172 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	461-3	(—)	460.5/—
3 months	466-6.5	(—)	467/466

Official closing (am): [illegible]. US Prime Western: 43-43.75 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

TIN

KUALA LUMPUR TIN MARKET—Close: 17.15 ringgit per kg (unchanged)

GOLD

[illegible]

COTTON

LIVERPOOL—Spot and shipment sales for the week ended October 9 amounted to 444 tonnes against 1,098 tonnes in the previous week. Trading was fair with operations mainly in Russian, West African and Pakistani growths.

SILVER

[illegible]

COFFEE

[illegible]

COCOA

[illegible]

FREIGHT FUTURES

[illegible]

GRAINS

[illegible]

US MARKETS

PRECIOUS METALS traded indifferently for most of the day in anticipation of today's US trade deficit figure reports Drexel Burnham Lambert, In the gold, silver and platinum, locals and commission houses tended to establish short positions in lightly traded markets. Copper eased following new contract highs as profit taking set in. Crude oil eased following early strength as locals and the trade liquidated long positions. Sugar firmed on trade and commission house buying before local selling eased prices. Cocoa fell on trade selling before industry support and commission house short-covering helped prices recover. Coffee was quietly firm. Cotton eased on light trade selling in the face of commission house buying. The grains were steady as commercial buying emerged in the maize and soyabeans, a factor which also firmed wheat following its early weakness. Reports that the Soviet Union may be preparing to buy US grains and that India may be granted credit to buy grains and soya oil provided a steady undertone. The meats were lacklustre, tending to react quietly to recent weakness.

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	85.30	83.75	—	—
Nov	85.30	83.75	—	—
Dec	85.30	83.75	86.00	86.00
Jan	83.10	81.10	—	—
March	79.50	77.50	—	—
May	74.25	72.25	—	—
July	71.50	69.50	—	—
Sept	71.50	69.50	—	—

COCOA 10 tonnes; $/tonnes

	Close	Prev	High	Low
Dec	1800	1811	1816	1789
Mar	1836	1839	1840	1817
May	1865	1865	1866	1846
[illegible]				

COFFEE "C" 37,500 lbs; cents/lbs — [illegible]

COPPER 25,000 lbs; cents/lbs — [illegible]

COTTON 50,000 lbs; cents/lbs — [illegible]

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrels — [illegible]

GOLD 100 troy oz; $/troy oz — [illegible]

HEATING OIL 42,000 US galls; cents/US gall — [illegible]

ORANGE JUICE 15,000 lbs; cents/lbs — [illegible]

PLATINUM 50 troy oz; $/troy oz — [illegible]

SILVER 5,000 troy oz; cents/troy oz — [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs — [illegible]

CHICAGO

LIVE CATTLE 40,000 lbs; cents/lbs — [illegible]

LIVE HOGS 30,000 lbs; cents/lbs — [illegible]

MAIZE 5,000 bu min; cents/56lb bushel — [illegible]

PORK BELLIES 38,000 lb; cents/lb — [illegible]

SOYABEANS 5,000 bu min; cents/60 lb-bushel — [illegible]

SOYABEAN OIL 60,000 lbs; cents/lb — [illegible]

SOYABEAN MEAL 100 tons; $/ton — [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel — [illegible]

SPOT PRICES: [illegible]

POTATOES

[illegible]

SUGAR

[illegible]

SOYABEAN MEAL

[illegible]

GAS OIL FUTURES

[illegible]

OIL

[illegible]

JUTE

[illegible]

MEAT

[illegible]

FOREIGN EXCHANGES

Dollar awaits trade figures

THE DOLLAR finished on a firmer note, holding on to earlier gains in the Far East where dollar demand was heavy. Today's release of August US trade figures remained the dominant factor and there seemed to be a reluctance to run short positions, resulting in further demand for the US unit as traders covered their positions.

Most analysts are looking for a deficit of around $14½bn compared with the record $16.47bn shortfall recorded in July. Anything worse than this would provide a stronge test for central banks as dollar selling would undoubtedly resume. The dollar closed barely changed from the opening but still managed to show an improvement on Monday's closing prices. Against the D-Mark it rose to DM 1.8210 from DM 1.8130 and Y143.70 from Y143.25. Elsewhere it closed at SFr 1.5090 from SFr 1.5025 and FFr 6.0650 compared with FFr 6.0425. On Bank of England figures, the dollar's exchange rate index rose from 100.7 to 101.1.

Comments by Mr Robert Heller, Federal Reserve Board Governor, that the rise in prime rates would not alone be the cause of a rise in the discount rate appeared to have little effect on trading.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average $1.6456. Exchange rate index 73.3, unchanged from the opening and compared with 73.4 on Monday and 72.9 six months ago.

The strength of sterling once again attracted the attention of the Bank of England and the latter was active to try to keep the pound below the DM 3.00 level. Sterling closed at DM 3.00 and dealers suggested that a break above this level would produce a rash of short covering and boost the rate even higher.

The pound was lower against the dollar at $1.6470 from $1.6535 and Y236½ compared with Y236¾. Elsewhere it closed at SFr 2.4850 unchanged from Monday and FFr 9.99 against FFr 9.9925.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. September average 1.8122. Exchange rate index 146.3 against 146.6 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8224 from DM 1.8130 on Monday.

Trading was confined to a relatively narrow range ahead of today's release of US trade figures. Many analysts were expecting the figure to be better than July's record $16.47bn deficit but a figure close to $14bn would still be seen as bearish for the dollar.

Elsewhere the D-Mark came under pressure against sterling, partly because of the pound's bullish undertone and also because of funds moving out of West Germany after the announcement of a 10 per cent withholding tax on most investments in West Germany.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 221.4 against 222.3 six months ago.

Demand for the dollar pushed the yen weaker in Tokyo although profit taking towards the close left the US unit below its best. It closed at Y143.90 from Y143.85 on Monday.

Later in the day traders were content just to square positions and wait for today's release of US trade figures.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1954	+1.74	+0.99	±1.5344
Danish Krone	7.85212	7.96335	+1.42	+0.67	±1.6404
German D-Mark	2.05853	2.07771	+0.93	+0.18	±1.0981
French Franc	6.90403	6.92039	+0.24	−0.51	±1.3674
Dutch Guilder	2.31943	2.33751	+0.78	+0.03	±1.5012
Irish Punt	0.768411	0.773537	+0.66	−0.09	±1.6684
Italian Lira	1,483.58	1499.04	+1.04	+0.74	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 13	Latest	Previous Close
£ Spot	1.6510-1.6520	1.6510-1.6520
1 month	0.27-0.25pm	0.29-0.27pm
3 months	0.72-0.68pm	0.60-0.56pm
12 months	1.60-1.50pm	1.85-1.75pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 13	Previous
8.30 am	73.3	73.4
9.00 am	73.3	73.3
10.00 am	73.3	73.4
11.00 am	73.3	73.3
Noon	73.3	73.4
1.00 pm	73.2	73.4
2.00 pm	73.3	73.4
3.00 pm	73.3	73.4
4.00 pm	73.3	73.4

CURRENCY RATES

Oct. 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78177	0.693297
U.S. Dollar	6	1.2928	1.14047
Canadian $	8.75	*	1.48969
Austrian Sch.	4	16.4846	14.6311
Belgian Franc	7½	48.7234	43.1954
Danish Krone	7	8.98126	7.96335
Deutsche Mark	3	2.3430	2.07771

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6420–1.6475	1.6465–1.6475	0.27–0.24 cpm	1.86	0.53–0.49 pm	1.24
Canada	2.1453–2.1525	2.1495–2.1505	0.08–0.04 cpm	−0.11	0.14dis–0.02 dis	0.12
Netherlands	3.36¼–3.37¼	3.36¼–3.37¼	1½–1¼ cpm	4.45	3¾–3½ pm	3.95
Belgium	62.25–62.41	62.30–62.40	20–15 cpm	3.37	55–45 pm	9.21
Denmark	11.47–11.51½	11.49½–11.50½	¼pm–¼ ore dis	−0.07	1¼–¾ pm	0.41
Ireland	1.1125–1.1185	1.1165–1.1175	0.14–0.07 pm	1.13	0.41–0.25 pm	1.15
W. Germany	2.99½–3.00½	2.99½–3.00½	1½–1¼ pf pm	6.00	3¾–3½ pm	5.00
Portugal	235.99–237.64	236.15–237.15	40-100 c dis	−3.56	170–265 dis	−3.68
Spain	197.97–199.98	198.50–198.80	Par–40 c dis	−1.21	85–145 dis	−2.32
Italy	2160¾–2165½	2163½–2164½	2-7lire dis	−2.50	11–18 dis	−2.68
Norway	10.93¼–10.96¼	10.95–10.96	3¾–4¾ ore dis	−4.24	9¾–9¾ dis	−3.47
France	9.97¼–9.99½	9.98½–9.99½	1½–1¼ cpm	1.80	3½–2½ pm	1.18
Sweden	10.50½–10.53	10.52–10.53	⅞–⅛ ore pm	0.71	3¼–1½ pm	0.49
Japan	236¼–237	236–237	1¼–1⅛ y pm	6.05	3¼–3 y pm	5.29
Austria	21.06–21.13	21.10–21.13	10¼–9¾ gro pm	5.58	27¼–25¼ pm	5.04
Switzerland	2.48–2.49	2.48–2.49	1½–1¼ c pm	6.64	3¾–3¼ pm	5.43

Belgian rate is for convertible francs. Financial franc 62.60–62.70. Six-month forward dollar 1.07–1.02 c pm. 12-month 1.65–1.55 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6420-1.6475	1.6465-1.6475	0.27-0.24c pm	1.86	0.53-0.49pm	1.24
Ireland†	1.4720-1.4760	1.4750-1.4760	0.09-0.04c pm	0.53	0.17-0.07pm	0.33
Canada	1.3043-1.3065	1.3035-1.3065	0.18-0.22c dis	−1.84	0.38-0.43 dis	−1.24
Netherlands	2.0475-2.0520	2.0475-2.0485	0.44-0.42c pm	2.52	1.44-1.40pm	2.77
Belgium	37.83-37.92	37.80-37.90	6.00-4.00c pm	1.58	22.00-18.00pm	2.11
Denmark	6.96¾-6.99¼	6.98-6.98½	0.30-1.00ore dis	−1.12	1.00-1.70 dis	−0.77
W. Germany	1.8190-1.8260	1.8205-1.8215	0.62-0.60pf pm	4.02	1.76-1.73pm	3.83

FINANCIAL FUTURES

Strong pound gives support

TRADING WAS very dull on the London International Financial Futures Exchange yesterday.

Sterling denominated contracts gained some support from the strength of the pound on the foreign exchanges. In spite of Bank of England intervention sterling closed at DM3.00.

December long term gilts opened at 114-16, and moved within a narrow range of 114-12 to 114.23, before closing at the low end of the day's range at 114-13, compared with 114-04 on Monday.

US Treasury bond futures opened firmer on Liffe at 79-24 for December delivery. This was the day's low, with the contract rising to a peak of 80-11 after a recovery in early Chicago trading. It closed at 80-11, compared with 79-19 on Monday.

In US markets Government bond prices opened lower, but recovered from early lows on the back of a stronger dollar and comments by Mr Robert Heller, Governor of the Federal Reserve Board. He said in a TV interview that the recent rise in banks prime rates would not force the Fed to raise its discount rate.

Dealers commented that today's US trade figures for August are unlikely to have a dramatic effect on the market, but that many traders preferred to square their positions ahead of the announcement.

It is generally expected there will be some improvement on the record July US trade deficit of $16.47bn.

Japanese Government bond futures were also firmer on Liffe, on comments that any move to raise the Japanese discount rate is likely to meet strong political resistance, both domestically and overseas. Rising money supply growth has led to speculation that the Bank of Japan will tighten its monetary policy by increasing interest rates.

December bonds opened on Liffe at 96.70, the day's low, and rose to a high of 96.99, before closing at 96.96, against 96.28 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
106	8.20	8.62	0.02	0.26
108	6.33	7.17	0.07	0.43
110	4.40	5.46	0.14	1.08
112	2.62	4.16	0.36	1.42
114	1.41	3.07	1.15	2.33
116	0.52	2.12	2.26	3.38
118	0.20	1.31	3.58	4.57
120	0.08	0.62	5.46	6.34

Estimated volume total, Calls 2547 Puts 1817
Previous day's open int: Calls 27,599 Puts 20,440

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	4.28	4.28	0.22	1.13
78	2.52	2.52	0.46	1.55
80	1.33	1.33	1.27	2.47
82	0.45	0.45	2.39	3.39
84	0.22	0.22	4.16	5.08
86	0.09	0.09	6.03	6.56
88	0.03	0.03	7.41	8.48
90	0.01	0.01	9.59	10.44

Estimated volume total, Calls 165 Puts 111
Previous day's open int: Calls 1,382 Puts 941

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
23250	7.57	9.51	0.77	2.91
23500	5.46	7.91	1.38	3.81
23750	3.88	6.49	2.28	4.89
24000	2.60	5.25	3.50	6.15
24250	1.64	4.18	5.04	7.58
24500	0.97	3.27	6.87	9.37
24750	0.54	2.52	8.94	10.92
25000	0.28	1.91	11.18	12.81

Estimated volume total, Calls 1 Puts 2
Previous day's open int: Calls 169 Puts 179

MONEY MARKETS

Frankfurt nervous

CREDIT CONDITIONS remained very nervous in Frankfurt as the West German Bundesbank offered liquidity to the money market through a tender for a 28-day securities repurchase agreement.

Banks bid for funds yesterday, at a minimum rate of 3.60 per cent, but the allocation rate is expected to be between 3.75 per cent and 3.85 per cent. At last week's tender the minimum tender rate was raised to 3.60 per cent from 3.50 per cent, and the allocation rate was 3.75 per cent.

UK clearing bank base lending rate 10 per cent since August 7

The funds are required because DM 14.4bn drains from the market as an earlier 35-day agreement expires.

Dealers noted that the Bundesbank's willingness to restore confidence in financial markets is likely to be judged by the size of today's allocation.

The mood was described as grim, following a proposed 10 per cent withholding tax on investment earnings, a slight tightening of monetary policy, and the mysterious death of a top regional government official.

Period rates were slightly firmer yesterday, with three-month money rising to 4.75-4.90 per cent from 4.65-4.90 per cent. Call money was steady at 3.80 per cent, but this was largely a reflection of commercial banks more than sufficient holdings at the Bundesbank.

At the end of last week these totalled DM 57.6bn, compared with DM 56.6bn on Thursday. The average for the first 11 days of the month was DM 55.1bn, against expectations that Bundesbank will demand an average of about DM 50m for October.

In London interest rates were slightly easier, as the Bank of England continued to intervene on the foreign exchanges to sell sterling. The pound pushed up to the DM 3.00 level, where the authorities appear to have set a ceiling for the currency.

Three-month interbank eased to $10\frac{3}{16}$-$10\frac{1}{16}$ per cent from 10¼-10⅛ per cent.

The Bank of England initially forecast a money market surplus of £100m, but revised this to a flat position at noon.

The authorities did not operate in the market during the day.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £341m. This was roughly balanced by Exchequer transactions adding £245m to liquidity; a fall in the note circulation of £55m; and bank balances above target of £50m.

In New York the Federal Reserve added $1.5bn in liquidity to the banking system, via customer repurchase agreements. This was in line with expectations, as the central bank met requirements for funds during the first half of its two week maintenance period.

Federal funds were trading at 7⅝ per cent at the time of the intervention.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 13 1987					MONDAY OCTOBER 12 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (91)	165.37	−1.1	148.86	152.12	2.61	167.25	149.97	153.18	180.81	99.92	89.96
Austria (16)	100.71	−0.6	90.65	95.31	2.19	101.34	90.86	95.50	102.87	85.53	94.58
Belgium (48)	122.04	−1.6	109.86	114.52	4.16	123.98	111.16	115.72	134.89	96.19	89.80
Canada (129)	132.09	−0.8	118.90	124.92	2.41	133.11	119.35	125.69	141.78	100.00	97.41
Denmark (38)	120.34	−1.1	108.33	114.29	2.59	121.63	109.06	114.85	124.83	98.18	97.74
France (122)	104.33	−0.9	93.92	99.26	2.80	105.29	94.41	99.80	121.82	98.39	96.65
West Germany (93)	99.60	+0.7	89.65	94.29	2.02	98.92	88.70	93.24	104.93	84.00	95.50
Hong Kong (46)	153.37	−1.5	138.06	153.71	3.16	155.71	139.62	156.01	158.68	96.89	89.36
Ireland (14)	158.49	−1.1	142.66	151.35	2.99	160.22	143.66	152.44	160.22	99.50	80.70
Italy (95)	95.46	−0.1	85.93	93.68	2.04	95.54	85.66	93.33	112.11	84.22	102.93
Japan (458)	150.05	−0.1	135.07	136.30	0.51	150.15	134.63	135.96	161.28	100.00	96.23
Malaysia (36)	177.86	−0.6	160.10	173.78	2.07	178.87	160.38	174.65	193.64	98.24	93.43
Mexico (14)	404.42	+0.0	364.04	704.60	0.42	404.42	362.61	704.60	422.59	99.72	78.65
Netherland (37)	121.82	+0.5	109.66	113.87	3.96	121.17	108.65	112.82	131.41	99.65	95.94
New Zealand (24)	131.42	−1.8	118.30	107.24	2.85	133.81	119.97	106.67	138.99	83.93	79.07
Norway (24)	179.28	−0.8	161.38	161.88	1.69	180.64	161.96	162.49	185.01	100.00	105.36
Singapore (27)	169.95	−0.5	152.98	164.19	1.51	170.79	153.14	164.81	174.28	99.29	100.07
South Africa (61)	187.58	−0.9	168.85	136.69	3.06	189.21	169.65	137.88	198.09	100.00	101.07
Spain (43)	165.60	−1.5	149.07	151.36	2.65	168.16	150.78	153.19	168.81	100.00	99.31
Sweden (34)	133.83	−0.9	120.47	126.60	1.82	135.06	121.10	127.21	136.64	90.85	99.85
Switzerland (53)	110.06	+1.0	99.07	102.96	1.62	108.94	97.68	101.48	111.11	92.01	95.71
United Kingdom (335)	159.75	+0.1	143.80	143.80	3.16	159.61	143.11	143.11	162.87	99.65	92.15
USA (584)	128.52	+1.5	115.69	128.52	2.87	126.58	113.50	126.58	137.42	100.00	97.92
Europe (952)	128.53	+0.0	115.69	118.98	2.81	128.52	115.23	118.48	130.02	99.78	95.17
Pacific Basin (682)	150.64	−0.2	135.60	137.22	0.68	150.89	135.29	137.00	158.77	100.00	95.73
Euro—Pacific (1634)	141.86	−0.1	127.69	129.94	1.46	142.00	127.32	129.61	143.65	100.00	95.51
North America (713)	128.71	+1.4	115.86	128.34	2.85	126.93	113.81	126.56	137.55	100.00	97.89
Europe Ex. UK (617)	109.11	−0.1	98.22	103.42	2.49	109.19	97.90	103.05	111.97	98.02	97.03
Pacific Ex. Japan (224)	158.16	−1.2	142.37	148.75	2.73	160.16	143.61	150.00	164.03	99.92	89.36
World Ex. US (1838)	142.17	−0.1	127.97	130.16	1.51	142.36	127.64	129.90	143.38	100.00	95.61
World Ex. UK (2087)	134.61	+0.5	121.17	128.34	1.87	133.93	120.09	127.44	138.82	100.00	96.92
World Ex. So. Af. (2361)	136.52	+0.5	122.89	129.69	1.99	135.88	121.83	128.79	139.47	100.00	96.46
World Ex. Japan (1964)	130.55	+0.8	117.51	126.50	2.83	129.56	116.17	125.34	134.22	100.00	96.61
The World Index (2422)	136.85	+0.5	123.19	129.78	2.00	136.22	122.14	128.90	139.73	100.00	96.49

Base values: Dec 31, 1986 = 100

Canadian, Mexican and Spanish markets closed for public holidays on October 12.
The World Index Policy Committee is considering the introduction of a Finnish index. Proposals and submissions by interested parties should be addressed to the Committee at The Financial Times (Room 2038) no later than November 6 1987.

EUROPEAN OPTIONS EXCHANGE

Series			Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$459.80
GOLD C	$480		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD C	$500		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$440		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$460		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$440		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

TOTAL VOLUME IN CONTRACTS: 53,072
A=Ask B=Bid C=Call P=Put

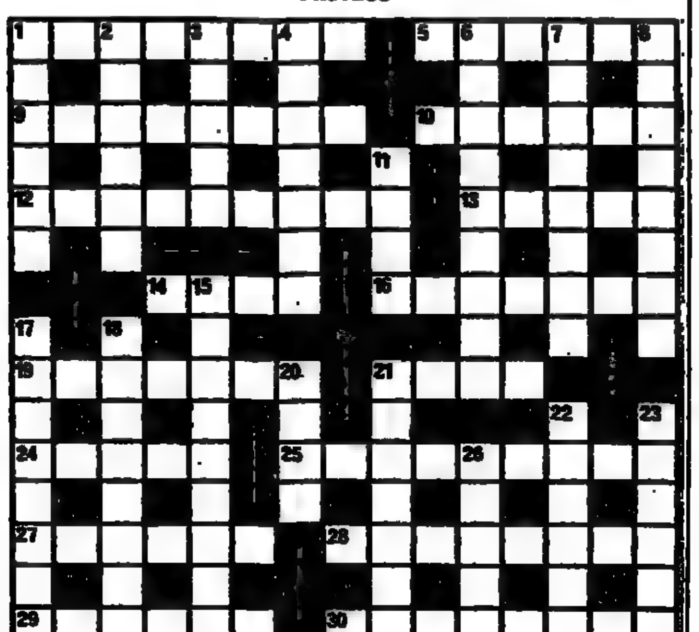
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambro Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
Ct. Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sprewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

FT CROSSWORD No. 6,455

PROTEUS



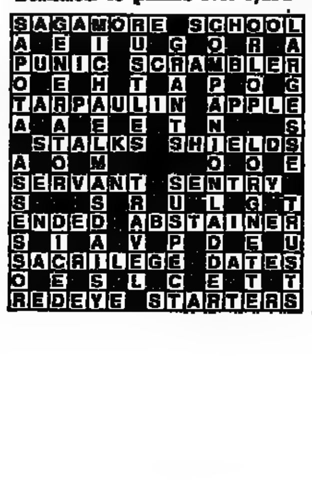
ACROSS

1 Important figure in Washington? (8) 5 Shave one may get with difficulty. (6) 9 Car tuned but still missing evidently. (8)
10 Display of hostility main difficulty to America. (6)
12 Officer responsible for airbridge operation. (9)
13 Principle held to be true by egg-head in portable shelter. (5)
14 Guns turned on share-trader. (4)
16 Book-production. (7)
19 Sad story of attempt to trap old people. (7)
21 Mole who sounds like a nobleman. (4)
24 She is taken in by early diagnosis. (5)
25 Healthy to part after all it appears. (9)
27 It gives security to some American choreographers. (6)
28 Inveigh against study on snow leopard. (8)
29 Favourite to go to extremity of cape. (6)
30 Heavenly oriental leatherwork. (8)

DOWN

1 Sounds like fruit? (6)
2 Constant threat to banks finds teachers bearing up. (6)
3 Vehicle reversing in motoring organisation's plant. (5)
4 Beginning to make a breach. (7)
6 The Lady of the Lake? (9)
7 Warn doctor and his entourage perhaps. (8)
8 Job presenting no problems for literary midshipman. (4,4)
11 Boast of turning up dress. (4)
15 Poem on strange matter of flat-worm. (9)
17 In the beginning outlaw wanted stout. (8)
18 Drawback in race. (8)
20 Upswing in skin disease. (4)
21 Stick out for scheme. (7)
22 Pretty French maid has one. (6)
23 Let it be known clergyman tipples ale. (6)
26 Bolt required in novel operation. (5)

Solution to puzzle No. 6,454



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
Abtrust Management Ltd
AEtna Unit Trusts Ltd(a)(b)(c)
Allied Dunbar Unit Trusts PLC (a)(x)
Anthony Wieler Unit Tst. Mgmt. Ltd
Arkwright Management
Asset Unit Trust Mngrs Ltd
Atlanta Unit Managers Ltd
Baillie Gifford & Co Ltd
Baltic Trust Managers Ltd
Barclays Unicorn Ltd(a)(c)(g)
Baring Fund Managers Ltd
Bell Court Fund Mngt PLC
Bishopsgate Progressive Mgmt. Co
Brewin Dolphin Unit Tst Mngrs Ltd
Bridge Fund Managers (a)(c)
Brown Shipley & Co Ltd (a)(g)
Bryceunt Unit Trust Mgmt Ltd
Buckmaster Management Co Ltd (a)(c)
Burrage Unit Trust Mgmt Ltd
CCL Unit Trusts Limited
CS Fund Managers Limited
Canada Life Unit Trust Mngrs. Ltd
Cannon Fund Managers Ltd
Capel (James) Mngt. Ltd
Capital House Unit Trust Mngrs Ltd
Cent. Bd. of Fin. of Church of England
Clerical Medical Unit Trust Managers Ltd
Charities Official Invest. Fund
Chase Manhattan Fund Mngrs Ltd
Confederation Funds Mngt Ltd (a)
Commercial Union Trust Managers
Cornhill Unit Trust Mngrs Ltd
Crown Unit Trust Services Ltd
Crusader Unit Trust Managers Ltd
Darlington Unit Trust Mngt. Ltd
Discretionary Unit Fund Managers
Drummond Fund Mngt Ltd
Dunedin Unit Trust Managers Ltd
EBC Amro Unit Trust Managers Ltd
EFM Unit Trust Managers Ltd
Eagle Star Unit Managers Ltd
Equitable Units Administration Ltd
Equity & Law Un. Tr. M. (a)(c)
Exeter Fund Managers Ltd
F & C Unit Management
FS Investment Managers Ltd
Fidelity Investment Services Ltd
Framlington Group (a)
Robert Fraser Trust Mgt. Ltd
Friends Provident Unit Trusts(a)(b)(c)
Funds in Court
G. & A. Trust (a)(g)
GT Unit Managers Ltd
Gartmore Fund Managers (a)(c)(g)
Grieveson Management Co Ltd
Guardian Royal Ex. Unit Mngrs Ltd
Henderson Administration
Hill Samuel Unit Trust Managers
IBI Fund Managers Ltd
Jupiter Unit Trust Mngrs. Ltd
Key Fund Managers Ltd
Kleinwort Benson Unit Managers Ltd
L & C Unit Trust Management Ltd
Lazard Brothers & Co Ltd
Legal & General (Unit Tst. Mngrs.) Ltd
Leonine Administration Ltd
Lloyds Bk. Unit Tst. Mngrs. Ltd
Local Authorities' Mutual Invest. Tst.
London & Manchester (Tst Mgmt) Ltd
M & G Group
MGM Unit Managers Ltd
MLA Unit Trust Management
MLS Investment Management Ltd
Manulife Management Ltd
Mayflower Management Co Ltd
Mercury Fund Managers Ltd
Midland Investments Limited

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Ind	224.8		
Do Accum	277.5		—
Guaranteed Ind	159.2		
Do Accum	196.6		—
International Ind.	525.2		—
Do Accum	647.7		
Index Lk Gilt Ind.	132.3		
Do. Accum	163.2		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	321.9	+0.2	—
Property Pens.	436.7	+0.4	—
Equity	205.1	-1.4	—
Equity Pens.	939.0	-9.0	—
Money Market	297.0	+0.6	—
Money Mkt. Pens.	536.1	+1.1	—
Deposit	240.3		—
Deposit Pens.	385.8	+0.2	—
Managed	308.2	-0.7	—
Managed Pens.	602.4	-2.1	—
Intl. Equity	363.7	-1.7	—
Do. Pens.	595.1	-3.6	—
Intl. Managed	332.8	-1.2	—
Do. Pens.	499.8	-2.5	—
North American	130.5	-0.6	—
Do. Pens.	148.8	-1.0	—
Far East	305.5	-1.2	—
Do. Pens.	455.8	-2.5	—
Intnl. Currency	168.5		—
Do. Pens.	217.1		—
Index Linked	120.1	-0.2	—
S & C Managed Fd	143.0	-0.3	—
S & C Pens Mngd Fd	117.2	-0.5	—
Bell Chambers	131.9	+0.1	—
Loran & Loran	121.9		—
Mitoe Mngd Fnd	161.6		
Trustlink Life Funds			
Per Worldwide Rec.	173.9	-0.7	—
Per Far East Growth	225.8	-0.9	—
Per Intl Growth	166.9	-0.6	—
Per Income	181.0		—
Per Emerging Co's	164.5	-0.7	—
Per American Growth	146.6	-1.0	—
Per European Growth	137.2	-1.2	—
Fra American & Gen	120.5	-0.5	—
Fra Capital	192.2	+0.5	—
Fra Income	198.7	+0.3	—
Fra Intl Growth	138.2	-0.6	—
Fra Japan & Gen	201.2	-0.4	—
Fra Recovery	204.3	+0.1	—
Fra Convertible & Gilt	150.7	+0.2	—
Fra European	138.9	-0.7	—
GAR American	120.4	-1.9	—
GAR European	159.9	-1.3	—
GAR Far Eastern	211.0	+0.7	—
GAR British	192.4	-0.4	—
GAR Global	177.3	-1.0	—
GAR Special Situations	210.6	+0.1	—
GAR Smaller Co's	234.4	+0.9	—
GAR Australian	173.0	+0.3	—
HEN Managed	183.8	-0.8	—
HEN UK Growth	195.8	-0.9	—
HEN UK Income	195.2	-0.1	—
HEN American	122.7	-1.1	—
HEN Far East	200.0	-0.6	—
HEN European	181.0	-0.9	—
HEN Prime Res Prop	104.2		—
TSB American	136.9	-0.8	—
TSB General	183.7	-0.6	—
TSB Managed	168.7	-0.2	—
TSB Pacific	201.6	-0.2	—
TSB Selected Opps	194.7	-0.2	—
FID American	110.5	-0.7	—
FID Japan	127.4		—
FID European	154.9	-1.0	—
FID UK	160.6	+0.6	—
FID Pacific	156.9	-0.3	—
FID Intl Managed	144.8	-0.2	—
FID Int. Income	126.4	-0.1	—
FID Intl Spec Sits	167.7	+0.7	—

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101[illegible]	100[illegible]	Treas. 12pc 1987	100[illegible]xd	.....	—	—
99[illegible]	97[illegible]	Treas 7¾pc 1985-88‡‡	99[illegible]	.....	7.79	9.17
102[illegible]	99[illegible]	Exch 10½pc '88	100[illegible]xd	+[illegible]	10.47	10.14
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	99[illegible]	+[illegible]	9.78	10.16
97[illegible]	93[illegible]	Transport 3pc '78-88	96[illegible]	+[illegible]	3.10	7.83
101[illegible]	98[illegible]	Treas. 9½pc '88	99[illegible]	+[illegible]	9.56	10.14
105[illegible]	102[illegible]	Treas 11½pc 1989	101[illegible]	+[illegible]	11.33	10.21
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	99[illegible]	+[illegible]	9.59	10.15
94[illegible]	89[illegible]	Treas 3pc 1989	93[illegible]		3.22	7.56
104[illegible]	99[illegible]	Treas 10½pc 1989	100[illegible]	+[illegible]	10.47	10.25
103[illegible]	98[illegible]	Exch 10pc 1989	99[illegible]	[illegible]	10.05	10.27
105[illegible]	100[illegible]	Exch 11pc 1989	101[illegible]	+[illegible]	10.86	10.22
95[illegible]	89[illegible]	Treas 5pc 1986-89	93[illegible]	[illegible]	5.37	8.79
108[illegible]	99[illegible]	Exch 10½pcCv '89	100[illegible]	[illegible]	10.18	9.86
111[illegible]	105	Treas 13pc 1990‡‡	105[illegible]	+[illegible]	12.31	10.09
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	101[illegible]	+[illegible]	10.85	10.20
110[illegible]	104[illegible]	Exch. 12½pc 1990	104[illegible]	+[illegible]	11.92	10.18
91[illegible]	84[illegible]	Treas. 3pc 1990	88[illegible]	.....	3.38	7.87
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	95[illegible]	.....	8.61	10.06
105	97[illegible]	Treas. 10pcCv 1990	99[illegible]	+[illegible]	10.06	10.21
89[illegible]	82[illegible]	Exch 2½pc 1990	86[illegible]	.....	2.91	7.64
110[illegible]	102[illegible]	Treas 11¾pc 1991	103[illegible]	+[illegible]	11.31	10.25
95[illegible]	87[illegible]	Funding 5¾pc '87-91‡‡	89[illegible]	+[illegible]	6.43	9.40
89[illegible]	80[illegible]	Treas. 3pc 1991	84[illegible]	.....	3.53	7.92
110[illegible]	99	Treas 10pc Cv '91 ‡‡	100[illegible]	+[illegible]	9.95	9.83
109[illegible]	101[illegible]	Exch. 11pc 1991	102[illegible]	+[illegible]	10.75	10.22
96[illegible]	91[illegible]	Treas. 8pc 1991	92[illegible]	+[illegible]		
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	108[illegible]	+[illegible]	11.76	10.22
106[illegible]	97[illegible]	Treas 10pc 1992	99[illegible]	+[illegible]	10.07	10.18
99[illegible]	90[illegible]	Treas. 8pc 1992‡‡	92[illegible]	+[illegible]	8.70	10.25
108[illegible]	99[illegible]	Treas 10¼pc Cv 1992‡‡	101[illegible]	+[illegible]	10.40	10.22
85[illegible]	79[illegible]	Treas. 3pc 1992	79[illegible]	.....	3.74	8.05
115[illegible]	106[illegible]	Exch. 12¼pc '92	107[illegible]	+[illegible]	11.42	10.28
121[illegible]	110[illegible]	Exch 13½pc 1992	112[illegible]	+[illegible]	12.05	10.32
		Five to Fifteen Years				
107[illegible]	97[illegible]	Treas 10pc 1993‡‡	99[illegible]	+[illegible]	10.10	10.23
118[illegible]	108[illegible]	Treas 12½pc 1993‡‡	109[illegible]	+[illegible]	11.44	10.30
95[illegible]	82[illegible]	Funding 6pc 1993‡‡	87[illegible]	+[illegible]	6.84	8.69
125[illegible]	113[illegible]	Treas 13¾pc 1993‡‡	115[illegible]	+[illegible]	11.96	10.35
129[illegible]	118[illegible]	Treas 14½pc 1994‡‡	119[illegible]	+[illegible]	12.15	10.29
124[illegible]	113[illegible]	Exch 13½pc 1994	114[illegible]	+[illegible]	11.81	10.42
107[illegible]	97[illegible]	Treas. 10pc Ln. 1994‡‡	98[illegible]	+[illegible]	10.13	10.26
120[illegible]	106[illegible]	Exch. 12½pc 1994	110	+[illegible]	11.37	10.41
105[illegible]	92[illegible]	Treas 9pc 1994‡‡	94[illegible]	+[illegible]	9.52	10.09

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

Money Market Trust Funds

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	27¼	Reo NY Corpn $5	32¼	–⅛	$1.16	—	2.2
18¼	13⅞	Rockwell Intl. $1	14	+	66c	—	2.9
30	22⅞	Sara Lee $1	24	–1¼	$1.00	—	2.5
11	8⅞	Saul (B. F.) $1	11	+	20c	—	1.1
27½	2⅛	Southwestern Bell $1	25⅜	.....	$2.32	—	5.5
22⅛	14⅛	Staley Continental	17⅜	–⅛	80c	—	2.8
44	34	Sun Co. Inc. $1	34⅝	.....	$3.00	—	5.3
42⅛	28½	TRW Inc. $0.625	36	–	$1.60	—	2.7
37⅛	25⅞	Tenneco $5	35½	–½	$3.04	—	5.3
220	149½	Do. 10pcLn.Stk. 91-5	220	.....	10%	—	4.7
29⅜	17	Texaco $6.25	23	–	$3.00	—	7.7
74	47⅞	Time Inc. $1	59⅞	–1	$1.00	—	1.0
19⅜	11	Tracor $0.33	19½	.....	40c	—	1.3
30⅛	18⅞	Transamerica $1	24	–	$1.84	—	4.6
14⅞	1⅛	Transworld Corp $5	11½	–¼	20c	—	1.1
27⅛	14⅞	TRINOVA Corp.	23⅝	–⅛	$1.00	—	2.6
24	15	USX $1	21⅞	–⅛	$1.20	—	3.4
19⅞	15	Union Carbide $1	17⅞	.....	$1.50	—	5.1
37⅞	26⅞	Utd. Technologies	32	+⅛	$1.40	—	2.7
38⅝	27	US West	34⅞	.....	$3.28	—	5.8
30½	17⅛	Waste Management $1	27	.....	—	—	—
£31⅛	£20½	Whirpool $1.0	£21	–⅛	—	—	—
37⅛	26	Woolworth $3½	28½	–⅛	$1.32	—	2.9

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ∮ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ■ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	.....	Fin. 13% 97/02	£109½	.....
Craig & Rose £1	745	-10	Arnotts	370	.....
Finlay Pkg. 5p	117	+1	CPI Hldgs	96	+4
Holt (Jos) 25p	£135xd	+½	Carroll Inds.	190	.....
Nall Sm. £1	298	.....	Dublin Gas	404	.....
			Hall (R. & H.)	195	.....
			Heiton Hldgs.	74	.....
IRISH			Irish Ropes	185	.....
Fund 11¾% 1988	£100%	.....	Norish	345	-50
Nat. 9¾% 84/89	£96¾	.....	Unidare	430	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	56	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	Property	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met.	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	Oils	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	Mines	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00 am two business days earlier.

Equity sector firm in nervous trading while Gilts continue to move higher

The UK stock market enjoyed a successful, if somewhat technical rally yesterday, although shares in Glaxo, which routed the blue chips on Monday with the disclosure of disappointing profits, continued to slide lower.

Helping equities to recover was a further improvement in the Government bond sector as the pound remained firm. While a higher pound is unhelpful to exporting companies, it reduces the chances of higher interest rates in the UK.

Share prices opened higher as nerves steadied from the previous day's sell-off, and London began to look for a rally on Wall Street ahead of the results from International Business Machines. UK stocks extended their gains as Wall Street opened sharply higher but slipped off the top as gains were trimmed in the New York market.

At the close, the FT-SE 100 index was a net 11.7 up at 2350.2. The FT Ordinary index gained 12.2 to 1847.4.

Glaxo provided the most notable exception to the market's trend, extending their loss in another heavy trading session as US investors continued to suffer pain. Extensive selling of Glaxo's ADRs in the US overnight proved the curtain-raiser to renewed US selling in London yesterday. UK traders, having largely completed their own selling, tried to stem the fall in the shares but were outweighed by the pressure from the US.

The rest of the equity market "looked better than it was", to quote one trader. Turnover was unexciting, and London remained uneasy over Wall Street's recent weakness. Moreover, the UK market must now brace itself for the £7.5bn British Petroleum issue, which is only three weeks away.

A weak spot at the close was Reuters which dipped sharply. Mr John Clark of Capel-Cure Myers, securities arm of Grindlays ANZ, commented that the concept of high technology information stocks had been affected by the news of redundancies at Chemical Bank and Salamon Bros, but added that he was not changing forecasts for Reuters.

The feature of the financial sector was the activity in UK life companies as the recent successful acquisition of Equity and Law by the French group Compagnie du Midi raised bid hopes for other names.

The Government bond sector had another firm session, although prices ended below their best levels with the long end of the market showing net gains of ¼. Traders reported some small retail demand, adding that the undertone remained very healthy.

The chief support for UK bonds comes from the home front, where the market believes that the UK economy is doing well, that domestic inflation is under control, and that the firm pound will shelter interest rates from upward pressures elsewhere.

Turnover in the leading banks left much to be desired. The big four were left with minimal changes and most of the action in the sector was in TSB which followed Monday's good performance with a further 5 rise to 153p after a turnover of 5.6m shares. The merchant banks were equally subdued. Hambros edged up 4 to 285p but Morgan Grenfell eased to 590p and profit-taking left S.G.Warburg 5 cheaper at 570p.

Composite insurances showed Commercial Union up 16½ more to 459½p with dealers waiting for an expected announcement that a holding of around 5 per cent has been built up in the company; Hoare Govett were said to have been good buyers of the stock yesterday. Guardian Royal jumped ¾ to £11 and Sun Alliance to £12¼. Press comment helped London & Manchester add 17 at 387p.

Find the next takeover candidate was the name of the game in the Brewery sector following Midsummer Leisure's intimated offer for Boddington. Speculation centred on regional issues, and many achieved sharp rises. They included Greene King, up 35 at 480p, and Greenall Whitley, 12 higher at 249p; the latter's "A" shares also rose 14 to 101p. After Monday's late surge, Boddington settled back to close 8 down at 220p, while Midsummer Leisure reacted 13 to 497p.

Leading Brewers enjoyed increased activity with Bass emerging from a lean spell and ending 26 up at 967p. Allied-Lyons rebounded 6 to 434p but Guinness were subdued by the latest development in the long-running saga and the shares remained at 369p. Thoughts that Wolverhampton & Dudley could be stalking a smaller concern sent the price 7 higher to 422p, while Vaux jumped 20 to 580p.

Blue Circle featured the Building sector, rising to 496p at one stage prior to closing 15 higher at 491p, mainly reflecting demand emanating from one source. Barratt Developments were also firm and rose 9 to 235p on consortium takeover speculation. RMC added 5 to 542p in response to a broker's bullish comment, while Tarmac, ahead of the US presentation, firmed 6 to 307p. BPB Industries picked up 5 at 345p, but CRH, a good market of late following acquisition news, came back 8 to 190p. Among secondary issues, Walter Lawrence touched 186p following the interim results and the agreement to sell its manufacturing business to Christy Hunt for £2.5m. In the absence of any follow-through support, however, the price drifted back to close virtually unchanged at 181p. Finlan Group added 3 to 158p; the company's offer for Baltic Saw Mills has been allowed to lapse because the latter's board has declined to accept.

ICI took a firmer line along with the majority of leading equities and closed ¼ higher at £16¼. James Halstead continued to attract speculative support and rose 13 more to 303p, a two-day gain of 22.

Numerous features emerged in the stores sector. Burton Group retreated 12 to 304p after the latest developments in the Guinness affair, which revived worries over a possible investigation into the Burton Group bid for Debenhams; turnover in Burton Group shares topped 6m shares. But most of the leaders posted good gains led by Marks and Spencer which rose 7 to 249p after widespread buying of the traded options by brokers Cazenove and James Capel. The charts are also looking positive on Marks & Spencer, dealers said. Woolworths moved up 12 to 384p after the brokers seminar. Ratners were 9 higher at 413p, in the wake of the Birmingham presentation to analysts and news of the £44m convertible eurobond issue.

Racal highlighted the electronics sector with the shares settling 7 up at 336p after a turnover of more than 8.5m shares reflecting continuing optimism over the group's Vodafone and radio paging systems. Plessey, still buoyed by news of the £10m contract to supply the System X exchange to the Chinese, rose 4 more to 222p and GEC, which is merging its telecoms interests with those of Plessey, put on 1½ to 237½p. Elsewhere, Atlantic Computer dipped 9 to 652p.

BM Group featured a jump of 26 to 495p in the Engineering sector following bumper preliminary figures. Camford, still responding to buying on expansion prospects, advanced afresh to close 10 higher 250p.

Foods traded quietly, but the undertone was firm and the leaders made reasonable progress. United Biscuits continued to reflect a broker's recommendation and the price rose 8 more to 330p. Recently-overlooked Rowntree gained 11 to 560p and Hillsdown Holdings improved a similar amount to 348p. Against the trend, S.& W. Berisford encountered nervous selling and fell 8 to 420p. Bernard Matthews put on 12 to 153p on bid hopes, while William Low rose 11 to 740p.

Hotels gave a stong performance. Ladbroke figured prominently, rising 20 to 479p on persistent overseas demand. Grand Metropolitan rose 11 to 586p and Trusthouse Forte 7½ 283½p.

Glaxo wilted afresh in the wake of overnight US selling and domestic offerings as analysts downgraded their short-term profits forecasts for the group following Mondays acutely disappointing preliminary figures. Part of the domestic selling represented switching into Beecham and Fisons which both trended firmer. The Glaxo share price closed ⅝ lower at £14⅝ for a two-day loss of 2⅝. Elsewhere in Pharmaceutical issues, Wellcome staged a half-hearted rally from the depression caused by worries over possible legislation on the exclusivity of the "Orphan Drug" status, and closed little changed at 507p.

Stonehill, still reflecting expansion prospects, firmed 5 further to 118p, but Securiguard fell 7 to 285p following US acquisition news and the proposed rights issue raising approximately £8.25m. Dominion International rose 7 to 125p on the announcement that it intends to dispose of its 59 per cent holding in quoted oil and gas subsidiary Southwest Resources.

Jaguar responded to publicity on the group's record production and sales of the XJ model, rising 12 to 588p on demand shared equally by domestic and US investors. Kwik-Fit were again favoured and rose 8 to 247p but Distributors turned irregular. Caffyns, helped by news that C.J.Giltrap had increased its stake to 5.7 per cent of the ordinary capital, spurted 29 to 603p, but Lex Service encountered profit-taking and lost 6 to 533p.

DRG benefited from views of the stock being considered cheap. Sector analysts say the group is now regarded more seriously in terms of growth and could be looking for an acquisition. The shares advanced 13 to a high for the year of 500p. Olives Paper Mill rose 18 to 245p. Agency and sales promotion issues prospered with KLP rising 28 to 485p, mirroring hopes of US expansion. Saatchi & Saatchi returned to favour as analysts re-rated the stock following recent clarification of its trading objectives; the price recovered 11 to 580p. Elsewhere, Geers Gross rebounded 7 to 76p and TMD Advertising improved further to 217½p. Media Weekly rates the latter ahead of Saatchi and several others in the sector.

Leading Properties attracted good support. Land Securities firmed 8 to 603p and MEPC gained a similar amount at 564p. Elsewhere, Dares Estates put on 2 to 74½p following Press comment. Southend Stadium revived strongly with a gain of 31 at 310p, while Kentish Properties advanced 33 to 331p amid talk of an imminent property deal. Peel Holdings rose 15 to 880p; the company has confirmed that it recently held discussions with Mersey Docks and Harbour to consider areas of common interest; Peel already holds a 10 per cent stake in Mersey Docks and the latter, sharply higher on Monday, fell back 45 to 415p.

Occasional movements in the Textile sector included a rise of 12 to 163p in S. Lyles in response to the preliminary figures and proposed one-for-one scrip issue. SEET were also noteworthy for a gain of 12 at 218p.

Rothmans advanced 14 more to 473p boosted afresh by news of the acquisition of a 60 per cent interst in Rotraco Exports, a trading company engaged principally in the import and distribution of certain tobacco products, wines and liquors.

Speculation that Centreway Trust could be negotiating the sale of its controlling stake in Centreway Industries lifted the former 29 further to 158p. Smith New Court enjoyed a continuation of the re-rating process, ending 13 up at 373p.

Turnover in British Gas expanded considerably and the shares hardened a shade to 172½p with more than 14m shares changing hands. Other oil and gas leaders made good progress helped by the firm opening on Wall Street. BP closed unchanged at 365p; the price of the shares for the fixed offer for sale will be announced at 9.30 am on Friday. Premier Consolidated jumped 4 to 76½p amid speculation that the sale of Burmah Oil's 25 per cent stake in the company is imminent.

Traded option activity increased with a total of 48,295 contracts transacted. Calls totalled 33,330, and puts 14,965. Glaxo were active in the wake of Mondays results and registered 2,859 calls and 1,827 puts. Marks and Spencer attracted 2,641 calls and 939 puts, while Rolls Royce registered 1,961 calls and 1,167 puts.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Money was given for the call of Blacks Leisure, Pennine Resources, Ossory Estates, TSB, Ferranti, C.H. Bailey, Tricentrol, Eagle Trust, Midland Bank, Astra Holdings, Fine Art Developments, Dares Estates, Greenwich Resources, Bunzl, Dixons, Glaxo, Noble and Lund, Wharf, Central Securities, Oliver Resources, Abaco, Hyman, Singer and Friedlander, Sound Diffusion, and Norfolk Capital.

Puts were arranged in Howard Holdings and SI Group, while double options were transacted in Polly Peck, Singer and Friedlander and Greenwich Resources.

FINANCIAL TIMES STOCK INDICES

	Oct. 13	Oct. 12	Oct. 9	Oct. 8	Oct. 7	Year ago
Government Secs	85.78	85.63	85.49	85.68	85.65	82.61
Fixed Interest	92.27	92.24	92.20	91.88	91.98	89.14
Ordinary	1847.4	1835.2	1858.2	1866.9	1859.5	1262.3
Gold Mines	447.6	452.5	449.5	445.8	450.4	321.5
Ord. Div. Yield	3.26	3.27	3.17	3.15	3.17	4.41
Earnings Yld.% (full)	8.00	8.02	7.78	7.73	7.78	10.15
P/E Ratio (net) (*)	15.28	15.24	15.72	15.82	15.72	12.08
SEAQ Bargains (5 pm)	37,493	38,499	33,356	42,248	36,404	—
Equity Turnover (£m)	—	1267.34	1515.90	1812.88	1615.08	458.94
Equity Bargains	—	53,280	56,071	51,240	39,669	33,415
Shares Traded (ml)	—	541.2	610.7	625.5	508.1	224.2

S.E. ACTIVITY [illegible]

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1841.0	1843.2	1849.5	1847.4	1844.0	1844.8	1848.4	1847.4

Day's High 1849.9 Day's Low 1841.0. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=15.07.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (132)

CANADIANS (1), BANKS (3), BREWERS (4), BUILDINGS (9), CHEMICALS (3), STORES (7), ELECTRICALS (3), ENGINEERING (12), FOODS (2), HOTELS (1), INDUSTRIALS (26), INSURANCE (4), LEISURE (10), MOTORS (5), NEWSPAPERS (1), PAPERS (5), PROPERTY (7), SHOES (1), TEXTILES (3), TRUSTS (16), OVERSEAS TRADERS (2), PLANTATIONS (1), MINES (1).

NEW LOWS (8)

AMERICANS (1), Man. Hanover, BANKS (1), Cie B'caire, ELECTRICALS (2), [illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,200	203	+1
Allied Lyons	2,800	434	+6
Amstrad	2,100	171	+2
Argyll Group	1,800	230	—
Assoc. Brit. Foods	52	361	+1
BAA	6,300	151	+2
BAT	2,100	684	+7
BET	1,900	309	+7
BICC	32	427	+1
BOC	919	539	+3
BPB Inds	1,100	345	+5
BPCC	236	360	+2
BTR	1,100	351	+1
Barclays	908	622	+2
Bass	676	967	+26
Beecham	1,100	560	+1
Blue Arrow	1,800	167	+1
Blue Circle	1,600	491	+15
Boots	2,100	305	+2
Brit. Airways	481	227	—
Brit. Aero	985	541	+5
Brit. & Comm.	102	327	+1
British Gas	17,900	172½	+½
Britoil	3,200	317	+1½
BP	3,550	362	—
Brit. Telecom	3,400	270	+1
Bunzl	1,300	255	+7
Burton	8,000	304	−12
Cable & Wire	2,400	490	+5
Cadbury Schwps	1,800	286	+1
Coats Viyella	375	417	+6
Comm. Union	7,000	459½	+16½
Cons. Gold	230	£14¼	—
Cookson	612	799	+1
Courtaulds	659	514	+4
Dee Corpn	3,400	229	+2
Dixons Group	806	397	—
English China Clays	196	566	+1
Fisons	1,500	375	+6
Gen. Accident	642	£11⅞	+⅛
Gen. Elect.	5,100	240½	+4½
Glaxo	10,000	£14⅝	−⅝
Globe Investment	54	190½	+1
Granada	418	367	+5
Grand Met.	2,300	580	+15
GUS "A"	367	£24	[illegible]

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	107	0	5
Corporations, Dominion and Foreign Bonds	13	3	40
Industrials	571	315	695
Financial and Properties	211	91	322
Oils	32	20	54
Plantations	3	1	8
Mines	35	77	94
Others	80	76	92
Totals	1,052	583	1,305

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday October 13 1987

[illegible]

FT-SE 100 SHARE INDEX ♦ 2350.2 +11.7

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

October 13. Total Contracts 48,295. Calls 33,330. Puts 14,965. FT-SE Index Calls 715. Puts 1,149. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

October 13	Price Sch%	+ or −
Creditanstalt	2290	−10
Goesser	3450	+20
Interunfall	12900	−30
Jungbunzlauer	8900	......
Laenderbank	405	−5
Perlmooser	728	+3
Steyr-Daimler	122	......
Veitscher Mag	849	−1

BELGIUM/LUXEMBOURG

October 13	Price Frs.	+ or −
B.B.L.	3040	−30
Banque Gen. Du. L	14600	+50
Bank Int. A	14,200	[illegible]
Bekaert B	10525	−175
Ciment CBR	6270	−130
Cockerill	164	+1
Colruyt	9,000	......
Delhaize	4700	−90
EBES	4620	−25
Fabrique Nat	1270	−34
GB Inno BM	1210	+34
GBL (Bruxl) L	3900	−90
Generale Bank	5900	......
Gevaert	7960	−40
Hoboken	7910	−90
Intercom	3520	−30
Kredietbank	4310	−40
Pan Holdings	13600	......
Petrofina	12525	−200
Raffinerie Tirle	1610	−15
Royale Belge	6000	−90
Soc.Gen Belge	3,555	......
Sofina	13850	−150
Solvay	14625	−75
[illegible]	[illegible]	[illegible]

GERMANY

October 13	Price Dm.	+ or −
AEG	327.50	+7
Allianz Vers	1960	+32
BASF	396.50	+4.1
Bayer	367	+3.2
Bayer-Hypo	489	−3
Bayer-Verein	467	+2
BHF-Bank	471	−2
BMW	727	+10
Brown Boveri	343	+8
Commerzbank	299	+7
Cont'l Gummi	328.70	+2.3
Daimler-Benz	1048	+24
Degussa	485	+5
D'sche Babcock	239	+3
Deutsche Bank	670.50	+9
Dresdner Bank	350	+5
Feldmuehle Nobel	323	+2
Henkel	580	+2
Hochtief	642	+7
Hoechst	326.50	+3.6
Hoesch Werke	131	+4
Holzmann (P)	398	+2
Horten	241	......
Hussel	642	+2
Karstadt	595	+1
Kaufhof	535	+3.5
KHD	191.80	+5.8
Kloeckner Werke	138	+2
Linde	770	+5
Lufthansa	182.50	+5.5
MAN	194.50	+1
Mannesmann	183.50	+0.5
Mercedes Hld.	908	+18.5
Metallgesell	390	+3
Muench Rueck	1920	+170
Nixdorf	825	+5
Porsche	940	......
Preussag	198	......
[illegible]	[illegible]	[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices October 13

[illegible]

MONTREAL

Closing prices October 13

[illegible]

Total Sales 5,860,701 shares

Indices

NEW YORK DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

[illegible]

LONDON — Most Active Stocks
Tuesday, October 13, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	17.3m	172½	+ ½	Burton	8.9m	304	−12
Glaxo	10.8m	£14⅝	⅝	TSB	7.2m	153	+ 5
T'Hse Forte	10.0m	287	+11	Comm Union	7.0m	458½	+18½
[illegible]	8.7m	287	− 1	BAA	6.2m	151	+ 2
[illegible]	8.5m	336	+ 6	Mrks & Spncr	5.8m	148	+ 7

TOKYO — Most Active Stocks
Tuesday, October 13, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Stl	258.72m	449	+ 4	Fuji Elec	22.83m	634	+ 24
Kawasaki Stl	183.76m	348	+ 12	Yamaha	21.77m	787	+ 4
Mitsubishi Heavy Ind.	109.27m	726	+ 1	Sumitomo Metal	20.90m	332	unch
Toshiba	66.66m	833	+ 13	Hitachi Ltd.	19.27m	1,960	+ 10
Nippon Kokan	56.20m	362	+ 4	Fuji Heavy Ind	18.82m	685	+ 35

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

BM Gr	495	+26
Bl. Circ. Inds.	491	+15
Caffyns	603	+29
Camfords Eng.	250	+10
Centreway Tr.	158	+29
Comm. Union	458½	+18½
DRG	500	+13
Geers Gr.	76	+ 7
Jaguar	588	+12
KLP Gr.	485	+28
Ladbroke	486	+27
Lon. & Mnchstr	367	+17
Lyles (S.)	163	+12
Olvs Ppr Mill	245	+18
Rothmans	473	+14
Smith New Crt	373	+13
Woolwrth Hldgs	384	+12

FALLS:

Berisford (S. W.)	407	−21
Blanchards	131	−12
Burton Gr.	304	−12
Glaxo	£14⅝	−⅜
Mersey Dck Unts	415	−45
Reuters B	836	−58

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 49

[illegible]

Stock	Sales (Hnds)	High	Low	Last	Chng
PuritBs .11	23 212	26¾	26¼	26¾	
PyrmT	190	11	10¾	10¾	− ¼
QMeds	91 589	7⅞	6¼	7½	+1⅛
QVC	283	9⅛	8¾	8⅞	+ ⅛
Quadrx	41	9	8⅝	8⅝	− ⅜
QuakCh .50	16 13	24	23½	23½	− ½
Quantm	52 2102	16	15¼	15½	− ¼
Quiksilv	21 42	14⅝	13¾	14⅝	+ ⅛
Qubtx	579	10¼	d 9¾	10⅛	− ¼
R R					
RPM .72	21 397	24¼	24	24¼	+ ⅛
RadSys.05e	23 1458	13	12¼	12¾	
Reeves	23 585	10⅝	10⅜	10½	

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	22	AAR s	.50	1.4	22	246	34¾	34⅜	34¾	+½
32½	17½	AFG s	.16	.5	11	1047	30⅝	29¾	30⅝	+¾
27	9	AGS s			21	299	23¼	22¼	23⅛	+⅞
10½	6¾	AMCA				10	9⅝	9⅝	9⅝	−⅛
9⅝	5⅛	AM Intl			64	746	7⅛	6⅞	7	
65½	50½	AMR			11	2757	53½	52⅞	53⅜	+⅝
27½	24⅞	ANR pf 2.67		10.		2	25½	25½	25½	+⅛
12¼	8½	ARX s			11	53	11	10⅝	10⅝	−⅛
73½	34⅜	ASA	2a	3.3		603	62½	61⅛	61¼	−2¼
22⅜	9¾	AVX			40	259	19⅞	19⅛	19⅞	+1
67	41¼	AbtLab	1	1.7	22	3967	59⅜	57	57¾	+⅝
28	23¼	Abitibi g				588	25¾	25½	25¾	+¼
16¾	9¾	AcmeC	.40	2.7	15	45	15	14⅝	15	+¼
10½	6⅛	AcmeE	.32b	3.5	57	2	9⅛	9⅛	9⅛	+⅛
23⅞	19	AdaEx	3.30e	15.		105	21¾	21⅜	21½	
19½	10	AdmM s	.24	1.8	10	58	13⅜	13	13¼	+⅜
35	13¼	AdvSys			22	1603	33½	33	33⅜	+¼
24⅞	13⅛	AMD				8835	20¾	19⅞	20¾	+1
56¾	47	AMD pf	3	5.8		241	51⅝	51½	51½	+⅝
11⅞	5¼	Adobe				1371	8⅞	8½	8½	−¼
20½	14¾	Adob pf	1.84	9.7		7	19⅜	19	19	
21⅞	17	Adob pf	2.40	12.		5	20⅝	20½	20½	
15	10⅜	Advest	.12a	1.1	8	200	11	10½	10¾	−¼
68¼	53	AetnLf	2.76	4.5	9	3436	61¼	60	61¼	+¾
83½	30⅛	AhlPb s	.32	.5	20	1248	68½	64½	65½	+⅛
26⅞	18⅝	Ahmans	.88	4.2	7	3203	20¾	20¼	20¾	+⅜
5⅜	2⅞	Aileen				57	3¼	3⅛	3¼	
53⅞	32⅜	AirPrd	1	2.0	22	724	50¼	49⅝	50¼	+⅝
[illegible]										

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 7/8	15 3/8	PepBy s	.08	.5	27	694	16 1/4	15 7/8	15 3/4	-1/4
42 1/4	25 3/8	PepsiCo	.68	1.8	19	5893	38 1/4	36 3/8	37 1/2	+1 1/8
13 1/8	10 3/8	PerkF	1.15e	11.	24	65	10 3/8	10 1/4	10 3/8	
41 1/8	25 1/8	PerkEl	.60	1.8		2765	33 3/8	32 3/4	33 1/4	+1/4
8 1/8	5 1/2	Prmian	.43e	6.4	11	151	6 3/4	6 5/8	6 3/4	+1/8
10 3/4	8 3/8	PrLP	pr1.15	13.		329	8 3/4	8 5/8	8 5/8	-1/8
15 3/8	9 1/2	PeryDr	.22	2.0		74	10 3/4	10 5/8	10 3/4	
40	28 3/4	Petrie	.70	2.2	21	4357	33 3/4	30 3/8	31 7/8	-1 1/2
21 1/4	17 1/2	PtPar n	2	10.		78	20	19 5/8	20	+3/8
33 1/2	28 3/8	PetRs	2.37e	8.1		30	29 1/4	28 3/8	28 5/8	-1/8
20	15 3/8	PetRs	pf1.57	8.6		5	18 3/8	18 3/8	18 3/8	
2 1/8	1	PtrInv	.12e	8.0		54	1 5/8	1 1/2	1 1/2	
77	57 1/8	Pfizer	1.80	2.7	16	4456	65 7/8	64 7/8	65 3/4	+3/8
54 3/4	17 5/8	PhelpD			37	5520	u56	54 1/4	55 7/8	+1 7/8
71 3/4	51	PhlpD pf	3	4.1		2677	u74	72 5/8	73 7/8	+2 3/8
26	18 3/8	PhilaEl	2.20	11.	8	3408	20 1/2	19 7/8	20 1/2	+1/2
45 1/2	35 3/4	PhE	pfA3.80	10.		z380	38	37	37	-2
49 3/8	38 1/4	PhE	pfB4.30	10.		z50	41	41	41	+1/2
49	40 3/4	PhE	pfC4.40	11.		z100	41	41	41	-1/2
87 7/8	70	PhE	pfE 7	10.		z100	70 1/4	70 1/4	70 1/4	
97 7/8	76 1/4	PhE	pfG8.75	11.		z840	79 1/2	d77	77	-1 3/4
13 7/8	12 1/8	PhE	pfR1.41	12.		17	12 1/4	12 1/8	12 1/8	
13 1/8	11 1/8	PhE	pfP1.33	12.		58	11 5/8	11 1/2	11 1/2	
88 3/8	67	PhE	pfH7.85	12.		z2300	67 1/4	d66 1/2	66 3/4	-1/4
12 7/8	11	PhE	pfO1.28	11.		24	11 5/8	11 1/8	11 5/8	+1/8
120 1/2	110	PhE	pfM15.25	14.		z280	111 1/4	111	111 1/4	+1/4
103	80 1/2	PhE	pfK9.50	12.		z400	82 1/2	81	82 1/2	+1
88	69 1/2	PhE	pfJ7.80	11.		z250	70 1/4	69 1/2	69 1/2	
19 3/4	13 3/4	PhilSub	.94	6.4	14	17	14 5/8	14 1/4	14 5/8	+1/8
124 1/2	66 1/2	PhilMr	3	2.6	17	8702	115	110 3/4	114 5/8	+4 1/2
23 7/8	13 5/8	Philpin	.44	2.3	15	1445	19 1/2	19	19 3/8	+1/8
27 3/8	18 5/8	PhilGl	.80e	3.2	12	710	25 1/8	25	25 1/8	
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
87	59	ScottP	1.36	1.6	16	421	83 3/4	82 1/2	83 3/4	+1
15 7/8	12	Scottys	.52	3.6	20	237	14 3/4	14 1/2	14 1/2	
13	10 1/2	ScdNA n				145	11 1/4	11 1/8	11 1/4	+1/4
30 1/2	12 3/4	SeaCnt	.05e	.2	32	211	25	24 3/8	25	+3/8
17 1/2	10 1/2	SeaC	pfB2.10	13.		19	16	15 7/8	16	
17 1/2	10 1/2	SeaC	pfC2.10	13.		25	16 1/4	16	16 1/8	
58	34 1/2	SeaC	pfD4.12	7.9		34	52	51 3/4	52	
82 3/8	59 1/4	Seagrm	1.10	1.5	15	1769	72 3/4	71 1/4	72 3/4	+1 1/2
24 3/8	12 1/2	Seagul			18	46	20 1/4	20 1/8	20 1/4	-1/8
52 1/4	36 1/2	SealAir	.52	1.1	20	32	47 3/4	47 3/8	47 3/4	+3/8
39 3/8	24 7/8	SealPw	1.10	3.1	13	141	36 1/8	35 3/4	35 7/8	-1/4

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27 1/8	16 1/2	UDC	2.20	13.	6	61	16 7/8	16 1/2	16 3/4	+1/8
32	25 1/2	UGI	2.04	7.3	10	159	27 7/8	27 5/8	27 7/8	+1/8
13 3/4	8 1/4	UNCInc	.01e	.1	15	337	10 1/2	10	10	-1/2
31 3/8	20 3/8	UNUM n	.30e	1.2		2053	25	23 7/8	24 1/2	+1/2
23	14 1/2	URS	.96t	5.1	18	268	19 1/4	18 1/2	19 1/4	+1/8
48 3/4	36 1/4	USFG	2.48	6.2	9	3124	39 3/4	38	39 3/4	+7/8
62	50 1/2	USFG	pf4.10	8.0		24	51 1/2	51	51 1/2	
55 7/8	31	USG	1.12	2.1	12	3870	54 1/2	52 5/8	53 5/8	+1
28 1/2	20 1/2	USLICO	.88	3.5	11	19	25 3/8	25 1/4	25 3/8	+1/8
32 7/8	14 1/2	USPCI s			34	146	24 1/4	23 3/4	23 3/4	-5/8

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21 7/8	11 1/8	WyleLb	.32	1.5	28	472	20 5/8	19 3/4	19 3/4	+1/8
30 5/8	16	Wynns	.60	2.2	22	387	27 3/4	27 3/8	27 3/8	
85	53	Xerox	3	4.0	17	6328	75 3/4	74 7/8	75 3/4	+3/4
58 1/4	53 3/8	Xerox	pf5.45	10.		25	54 1/4	53 7/8	54	-1/4
31 1/2	21 7/8	XTRA	.64	2.2	23	30	28 3/4	28 3/8	28 3/8	-3/8
28 1/4	25 3/8	XTRA	pf1.94	7.1		30	28	27 1/2	27 1/2	-1/4
33 7/8	16 1/8	Yorkin			15	433	32 1/8	31 1/2	32 1/8	+1 1/4
7 1/4	2 1/4	Zapata				193	4 5/8	4 1/2	4 1/2	
37	20 3/4	Zayre	.40	1.3	11	2988	31 1/4	30 3/8	31	-1/8
16 1/8	11 1/8	Zemex	.40	2.6	10	11	15 3/4	15 5/8	15 5/8	-1/4
33 5/8	18 7/8	ZenithE			105	959	26 1/8	25 1/2	26 1/8	+7/8
13 1/2	6 3/4	ZenLab				929	6 7/8	6 5/8	6 5/8	-1/4
28 1/2	18 3/4	ZenNtl	.80	3.9	12	575	20 3/4	20 3/8	20 3/8	-3/8
20 5/8	13	Zero	.36	2.0	18	37	18 1/2	18 1/4	18 3/8	-1/8
30 3/4	18 5/8	Zurnin s	.68	2.7	17	452	25 3/4	24 1/2	25 5/8	+5/8
10 5/8	8 1/4	Zweig	.65e	6.4		610	10 1/8	10	10 1/8	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

AMERICA

Dow rallies as bonds improve near the close

WALL STREET

OVERCOMING disappointment with IBM's results, Wall Street stock prices swung widely yesterday before rallying in the afternoon, *writes Roderick Oram in New York.*

The rally was underpinned by a half-point upturn in bond prices on the back of a stronger dollar. Investors and dealers were cautious, though, ahead of today's release of the US's September trade deficit.

The Dow Jones industrial average closed up 36.72 points at 2,508.16. It had failed to hold on to the gains it scored during the morning but came back strongly during the afternoon. The movements were volatile within a 72 point range with an intra-day high some 20 points above the close.

Broader market indices showed similar gains with the Standard & Poor's 500 closing up 5.13 at 314.52 and the New York Stock Exchange composite index adding 2.50 to 176.02.

NYSE volume was moderately heavy at 174m shares with the number of advancing stocks outnumbering those declining by a ratio of three-to-two.

Among blue chips, General Motors was up $1⅛ to $75⅝, Ford Motor rose $2 to $95⅝ after announcing extensive senior management changes, AT&T gained $1 to $33⅝, Exxon advanced $1¼ to $49, Merck rose $2½ to $198¼ and Philip Morris put on $4½ to $114⅝.

Initially, IBM, the largest capitalisation US stock, rose more than $1 in the wake of its third-quarter results. But disappointment set in after closer inspection of the $2-a-share net profit and by early afternoon it was down $3⅝. It made a partial recovery during the rally to end down $⅝ at $148⅝.

Its revenues were higher than many analysts had expected but so were costs. It benefitted from a tax rate of only 38 per cent a share against a level of around 42 per cent used in Wall Street's forecasts. Moreover, the results included a 13 cents-a-share gain from selling a stake in Intel, a semiconductor manufacturer. Overall, it was at the bottom end of many analysts forecast range.

In contrast, other computer stocks were ahead. Digital Equipment rose $2⅝ to $189⅜, Unisys added $1 to $44⅞, NCR gained $2⅝ to $77⅞ after reporting a 33 per cent rise in profits on Monday, and Hewlett Packard gained $1⅛ to $67⅝.

MiniScribe, a disk-drive manufacturer, fell $1¼ to $13⅞ after two analysts cut their forecasts and investment recommendations in the wake of poor third-quarter results.

Among other companies reporting higher quarterly profits, International Paper rose $2⅝ to $50⅝, Time Inc gained $3 to $101⅞, IC Industries added $⅛ to $38 and Whirlpool edged up $⅝ to $35.

Glaxo's American Depositary Receipts were the most active NYSE issue with nearly 4m traded, closing up $⅝ at $24⅛. The price had fallen steeply on Monday following disappointing results from the British drugs company.

In the banking sector, First Chicago put on on $1 to $28⅝. It announced lower profits because of the costs of cutting back its foreign operations.

In the credit markets, bond prices opened fractionally below their Friday evening close. US markets had been closed yesterday for the holiday but Treasury futures had fallen in Chicago to their lowest level in nearly two years. The cash price of Treasuries had also fallen in Europe on Monday but recovered slightly early on Tuesday.

In New York trading yesterday, bond prices improved, taking the 8.75 per cent Treasury benchmark long bond up ¹⁵⁄₃₂ of a point on the day to 90⁷⁄₃₂ yielding 9.89 per cent.

Bonds derived some support from the dollar which picked up nearly Y0.80 from its late Monday rate of Y143.08.

Investors and traders were cautious ahead of today's release of the US's September trade deficit. The consensus forecast is for a reduction of around $2bn from August's shortfall of $16.5bn.

Nervousness over inflation is being heightened by the Commodity Research Bureau's index of commodities futures prices which has risen to 230.18 from 223.83 at the end of last month with further increases expected.

CANADA

A POOR showing by gold, oil and industrial issues dragged Toronto share prices lower in active trading.

Among energy issues, Texaco Canada dropped C$⅛ to C$33, Imperial Oil class A fell C$⅝ to C$74⅝ and Gulf Canada declined C$⅛ to C$20⅝.

In golds, Lac Minerals dropped C$½ to C$15⅝. The group applied last week to the Ontario Court of Appeal for a stay of execution on a ruling which handed over control of the Page-Williams mine to International Corona. The latter dropped C$⅛ to C$71⅛.

Among other gold issues, Placer Dome fell C$⅝ to C$24½ and Echo Bay fell C$⅝ to C$34¼.

Mines and metals were mixed, with Noranda falling off C$⅛ to C$34⅝ and Alcan Aluminium rising C$⅝ to C$46⅝ and Falconbridge losing C$⅛ to C$28⅝.

Canadian Pacific firmed C$⅛ to C$27⅝ among the most active industrial issues and Canada Development Corporation picked up C$⅝ to C$14⅝. Mixed blue chips saw Seagram lose C$⅝ to C$93⅝, but Bell rise C$⅛ to C$37⅝.

Forestry product issues gave ground, with BC Forests losing C$⅝ to C$29⅝.

Banks softened, Royal Bank by C$⅛ to C$29⅝, Bank of Montreal by C$⅛ to C$30⅝.

ASIA

Nikkei sails to record on cash flood from bonds

TOKYO

LARGE-CAPITAL issues were back in favour as cash began to flow into stocks from the bond market in Tokyo yesterday, driving share prices to a record, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average gained 115.98 to 26,400.63. Volume swelled to 1,336.73m shares from Monday's 682.33m. Advances outnumbered declines by 455 to 428, with 183 issues unchanged.

Monday's upsurges in Nippon Steel and Mitsubishi Heavy Industries (MHI) prompted institutional investors to step up their purchases of giant-capital stocks.

Another encouraging factor was that financial institutions registered a record net buying of Y277.7bn in their stock transactions during the week ended October 3, topping the previous net buying record of Y273.7bn in the third week of April.

Large-capital stocks dominated the active list and the combined trading volume of the 10 most active stocks accounted for 60.3 per cent of the total transactions.

Nippon Steel headed the active list with 269.72m shares changing hands and rose Y4 to Y449. Kawasaki Steel, the second busiest issue with 193.76m shares traded, advanced Y12 to Y349, while MHI, third with 100.27m shares, closed Y1 higher at Y726.

Heavy electricals were also sought. Toshiba, fourth most active with 66.66m shares, surged Y13 to a new 1987 high of Y833. Hitachi added Y10 to Y1,560 and Fuji Electric gained Y24 to Y634. Fuji Heavy Industries attracted strong buying interest, finishing Y35 higher at a record Y695.

High-technology stocks rebounded. Fujitsu gained Y20 to Y1,540, NEC rose Y50 to Y2,570 and Sony was up Y70 at Y5,480.

NTT surged Y60,000 at one stage to reach the Y3m level for the first time in five months. But it surrendered some gains in late trading and ended Y50,000 higher at Y2.99m. NTT drew speculative buyers on talk that the Government hopes to sell 1.95m NTT shares at high prices in its second NTT stock sale planned for November.

Paper-pulp issues also fared well, with Sanyo-Kokusaku pulp advancing Y24 to Y741 and Oji Paper up Y40 at Y1,200.

Financial stocks ended on a weaker note. Mitsubishi Bank shed Y20 to Y3,080, Tokio Marine and Fire Insurance slipped Y10 to Y2,160 and Nomura Securities lost Y60 to Y4,470.

Bond prices firmed, supported by dealers' active buying. The yield on the benchmark 5.1 per cent Government bond, due in June 1996, ended at 5.990 per cent from 6.130 per cent at Monday's close.

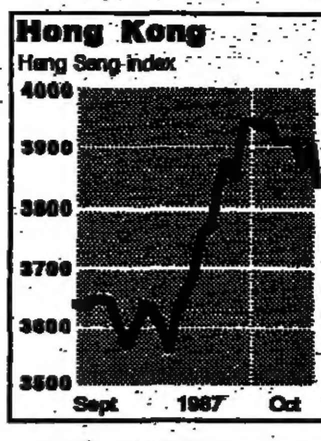
The yen's rise to about Y142 to the dollar gave rise to speculation that chances of an early cut in the official discount rate by the Bank of Japan had dimmed. As a result, bond futures prices rallied, prompting dealers to step up purchases on the cash market.

On the Osaka Securities Exchange (OSE) prices rebounded, with buying focusing on large-capital stocks.

The 250-issue OSE stock average gained 100.01 to a record of 27,012.40, on an estimated volume of 250.55m shares, an increase of 144.76m shares from the previous day.

Nintendo soared Y200 to Y11,200 and Rohm advanced Y140 to Y6,040. But Osaka Soda succumbed to profit-taking pressure to close Y220 lower at Y2,000.

SOUTH KOREAN stock prices fell back slightly from Monday's record levels in moderate trade. The composite index gave up 2.86 to 512.59 in trade of 4.92m shares, compared with 5.50m shares on Monday. Most sectors continued to find some support, although finance and car issues gave ground.



HONG KONG

A SLIGHT early decline turned into a sharp, broad retreat in Hong Kong as the market became bearish over rumours of a rights issue by Hongkong Land. The Hang Seng index closed down 58.89 at 3,841.28.

The fresh rumours over Hongkong Land supplanted bullish talk on Monday which suggested that Japanese interests were set to buy a stake in the group. Its stock fell back 60 cents to HK$9.90.

Other Jardine-linked stocks also suffered, with Jardine Strategic Holdings falling HK$1.10 to HK$14.40 and Jardine Matheson losing 50 cents to HK$22.50. Properties were also further weakened by HK Land's fall, with the sector index tumbling 116.67 to 5,838.23.

Stelux Holdings, the top active, fell HK$1 to HK$12.80. It placed shares through IBI Asia to raise some HK$200m.

Hysan development managed one of few advances, rising 19 cents to HK$1.88, and Hongkong Telephone gained 10 cents to HK$19.10.

AUSTRALIA

DEPRESSED by a combination of unfavourable overseas signals, including lower share prices in London and New York and weaker crude prices, Sydney stocks fell to their lowest level since September 1. The All Ordinaries index lost 17.7 to 2,166.9.

Golds were badly hit, with Sons of Gwalia down 50 cents at A$11.50 and Renison and Emperor both 40 cents off at A$15 and A$8.60 in turn. Among resources, Peko fell 40 cents to A$8.90, CRA 30 cents to A$10.35 and Bougainville 12 cents to A$4.98. Bell Resources, though, recouped 24 cents of recent falls to A$5.20.

Santos was 20 cents down in oils, and Crusader lost 15 cents to A$2.85. News Corp fell A$1 to A$22.50 in advance of its annual meeting on Friday, but Fellow media stock Fairfax gained 6 cents to A$8.40. The latter is subject to a takeover bid of A$8.50 a share from Warwick Fairfax.

SINGAPORE

PROFIT-TAKING continued to outweigh buying support in Singapore, extending recent losses in share prices in dull trade. The Straits Times industrial index fell 10.84 to 1,434.93 in higher volume of 13.1m shares from Monday's 17.8m.

Recently listed Singmarine Industrie continued to fall in active trade, losing 1 cent to S$2.09, while Malaysian Mining held at S$3.17 in another busy session.

Losing blue chips included Singapore Press and Metro Holdings, both down 20 cents at S$10.60 and S$14 respectively. UCB gave up 15 cents to S$7.55 and Keppel another 12 cents to A$3.94. Far East Shipbuilding and Rothmans Malaysia were 10 cents weaker in turn at S$3.20 and S$8.75.

Rare gainers included Hong Leong Finance, up 12 cents at S$4.48 following a block deal of 3m shares sold at S$4.52 each, and Sime Darby, which added 2 cents to S$3.70.

EUROPE

Firmer dollar lifts blue chips out of doldrums

A FIRMER dollar provided a glimmer of hope for stocks rapped by falls on Wall Street and undermined by continuing fears of interest rate increases. Swiss and Dutch stocks were quick to respond to the dollar's rise and took the opportunity to stage a technical recovery after recent falls.

Frankfurt staged a recovery and regained its poise after two unsettling days following the announcement of plans to introduce a 10 per cent withholding tax. The Commerzbank index rose 24.8 to 1,937.2, but volume was thin because many investors remained sidelined, awaiting full details of the implications the tax might have on interest payments.

Banks and cars, which lost heavily late last week, led other sectors higher. Daimler gained DM24 to DM1,048, VW rose DM11.30 to DM372.50 and BMW advanced DM10 to DM727.

Electrical Siemens added DM7 to DM654.30 and AEG also rose DM7 to DM321.50. High-techs Nixdorf and SEL each added DM5 to DM625 and DM432, respectively. IWKA firmed 70 pfg to DM213.50 but PKI fell DM1.50 to DM824.50.

Among banks, Deutsche Bank rose DM3 to DM670.50, Dresdner recovered DM5 to DM350 and Commerzbank gained DM7 to DM293.

Public authority bonds rose in light trading as the shock of plans for a 10 per cent withholding tax receded. The Bundesbank sold DM110.1m of paper after buying DM16.3m on Monday.

Zurich took heart from the firmer dollar and moved broadly higher as part of a technical recovery after recent falls. The Crédit Suisse index rose 6.9 to 633.2 in heavy turnover.

Among industrials, Saurer continued to be a market favourite, rising SFr37 to SFr530.

Construction issues were broadly stronger. Brown Boveri added SFr155 to SFr3,130, Oerlikon-Buehrle edged up SFr25 to SFr1,685, Sulzer rose SFr50 to SFr6,725 and Alusuisse added SFr5 to SFr940. Georg Fischer fell against the trend, losing SFr20 to SFr1,590.

In chemicals, Ciba-Geigy advanced SFr60 to SFr4,010 and Sandoz put on SFr290 to SFr15,600.

In banks, Union Bank edged up SFr60 to SFr5,900 and Crédit Suisse rose SFr4 to SFr518.

Amsterdam rallied on the firmer dollar and a higher opening on Wall Street. The ANP-CBS index, calculated at midsession slipped 0.3 to 302.7 and did not reflect the late upturn.

Most blue chips were higher, with Akzo Fl 1.90 firmer at Fl 171, Philips adding 20 cents to Fl 51.10 and Royal Dutch climbed Fl 2.30 to Fl 260.00. Unilever slipped 20 cents lower at Fl 133.60, after hitting a day's high of Fl 135.10.

Plane-maker Fokker was suspended for the day after reports the company had a cash shortage and had recently made management changes to meet delayed deliveries.

Transport firm Pakhoed added Fl 2.50 to Fl 84.50 after announcing it had sold its unit Pendair for $37m and expected higher profits for 1987.

Paper maker KNP fell Fl 1.50 to Fl 159.00 after recent rises on rumours it was to acquire a French paper company.

Paris remained overshadowed by interest-rate fears which continued to dampen buying interest, despite an early effort at bargain-hunting following four consecutive falls.

The CAC index fell to its lowest level of the year, closing down 6.5 at 388.5. The index, based on opening prices of 244 shares, opened the year at 302.0 and rose to a high of 480.4 on March 26.

Selected bank issues posted some of the largest losses. UIC showed the way lower with a FFr60 drop to FFr1,030, a new annual low. UCB followed with a FFr13.60 dip to FFr238.90, also a low for 1987.

Brussels continued to be undermined by political uncertainties prior to Thursday's parliamentary debate on a language dispute between French and Dutch speakers. Higher domestic interest rates also suffocated buying interest, despite some foreign bargain-hunting.

The Brussels stock index fell 56.68 to 4,938.72 in hesitant, quiet trading.

Holdings were mixed as Réserve – the share of Société Générale de Belgique – was unchanged at BFr3,555, Sofina lost BFr150 to BFr13,850 and Cobepa added BFr150 to BFr5,900.

In chemicals, Solvay lost BFr125 to BFr14,575 and Mosane was down BFr22 at BFr1,188. However, UCB added BFr300 to BFr10,900. Petrofina finished BFr200 lower at BFr12,525.

Stockholm moved lower across the board for the third consecutive day, but there were signs of a partial recovery in the final half-hour of trading.

SE-Banken shares fell SKr2 to SKr154 among generally weaker banking issues. SE-Banken released, shortly before the close, its eight-month profits which showed an 8 per cent decline.

Volvo declined SKr2 to SKr417, while Astra fell SKr6 to SKr256. Other blue chips were little changed.

Forestry group Modo, which figured prominently in the recent run of records, announced that it had tripled its eight-month pre-tax profits to SKr624m. The company's stock was unchanged at SKr585.

Oslo was mixed with little fresh impetus in the market. The all-share index shed 1.02 to 433.31 on moderate turnover worth NKr171.5m.

Oils rose on stable prices for Norway's North Sea crude, and Saga Petroleum, which has received Government approval for an increase in permitted foreign share ownership, gained NKr1.5 to NKr163.5. News of an agreement to move ahead with phase two of the Oseberg oil and gas field also helped the sector.

Insurers posted narrow gains but industrials were broadly lower, as were banks.

Milan inched higher in fair trade which centred on the banking sector. The Milan Stock Index (MIB) added 3 to 917.

Banks continued with their rally, inspired by the impending privatisation of merchant bank Mediobanca, which added 1,800 to L270,000. Banca Commerciale gained L70 to L3,230, Banco Di Roma advanced L430 to L10,770 and Credito Italiano put on L36 to L3,110.

Blue chips were mixed. Fiat gained L89 to L12,149. Olivetti dropped L150 to L11,500 and Montedison was little changed, slipping L1 to L2,300.

Madrid was hit by profit-taking after last week's highs. The general index lost 2.69 to 321.19 in quiet trading after Monday's national holiday.

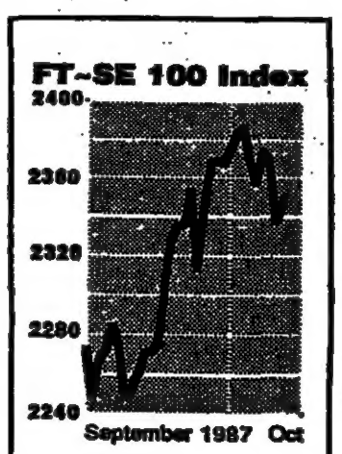
Banks were lower with Popular giving up 65 percentage points to 1,835 per cent of par value.

LONDON

THE POSITIVE response of government bonds to sterling's steadiness lifted London equities in a successful, if largely technical, rally after a solid opening. Glaxo, however, which fell steeply on Monday and hurt other blue chips, continued to slide.

The FT-SE 100 index closed up 11.7 at 2,350.2 after having showed a net 15 point gain earlier. The FT Ordinary index added 12.2 to 1,847.4.

Gilts firmed. At the close, longer maturities closed off their highs with net gains of ¼. Details, Page 46.



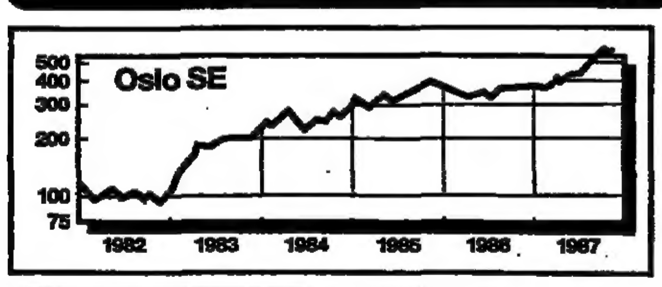
SOUTH AFRICA

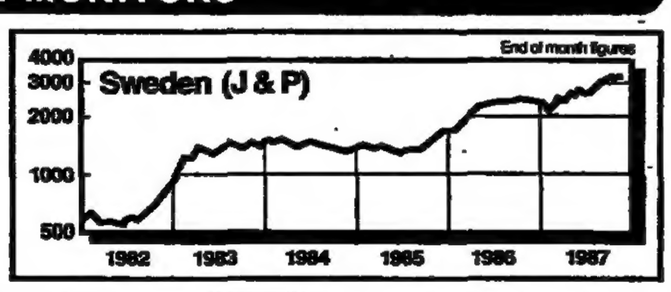
WITH THE bullion price unable to make further headway, Johannesburg gold shares slid slightly.

Among the leading gold stocks, Randfontein and Vaal Reefs both closed at R445 with respective falls of R5 and R9. Elsburg dropped 60 cents to R16.60 and Driefontein R1.75 to R82.75, though Village moved up 25 cents against the market to R6.50.

Lower platinums saw Lydenburg drop R1.25 to R57.75. Diamond stock De Beers was steady at R58.25. Industrials firmed, but other minings and mining financials were mixed. Gold Fields of South Africa rose R3 to a further high for the year of R96.50.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Oct 13	Prev	Year ago
NEW YORK			
DJ Industrials	2,508.16	2,471.44	1,798.37
DJ Transport	1,033.48	1,030.43	829.36
DJ Utilities	200.57	195.41	196.76
S&P Comp.		309.31	235.91
LONDON FT			
Ord	1,847.40	1,835.20	1,282.30
SE 100	2,350.20	2,338.50	1,612.30
A All-share	1,210.87	1,205.17	787.49
A 500	1,319.10	1,313.42	860.65
Gold mines	447.80	452.30	321.50
A Long gilt	9.95	9.97	10.30
World Act. Ind (Oct 9)	136.69	136.69	97.14
TOKYO			
Nikkei	26,400.63	26,284.65	17,338.7
Tokyo SE	2,161.89	2,155.17	1,482.14
AUSTRALIA			
All Ord.	2,167.3	2,185.0	1,338.7
Metals & Mins.	1,325.1	1,345.8	706.0
AUSTRIA			
Credit Aktien	225.89	226.95	230.29
BELGIAN SE			
SE	4,938.70	4,994.40	3,792.72
CANADA			
Toronto			
Met.& Mins.	3,379.0	(c)	2,136.0
Composite	3,759.9	(c)	(c)
Montreal			
Portfolio	1,856.71	(c)	(c)
DENMARK SE			
SE	—	212.98	193.83
FRANCE			
CAC Gen	388.50	395.00	388.7
Ind. Tendance	101.20	102.10	93.81

	Oct 13	Prev	Year ago
WEST GERMANY			
FAZ-Aktien	631.39	624.48	660.69
Commerzbank	1,937.20	1,912.40	1,977.7
HONG KONG Hang Seng	3,841.28	3,900.17	(c)
ITALY Banca Comm.	661.71	659.78	754.40
NETHERLANDS ANP CBS			
Gen	302.70	303.00	274.4
Ind	253.70	255.20	276.9
NORWAY Oslo SE	575.85	(c)	374.89
SINGAPORE Straits Times	1,434.90	677.41	694.03
SOUTH AFRICA JSE			
Golds	—	2,284.0	1,996.0
Industrials	—	2,254.0	1,375.0
SPAIN Madrid SE	321.19	—	198.76
SWEDEN J & P	—	3,208.51	2,498.87
SWITZERLAND Swiss Bank Ind	717.00	709.20	559.70

COMMODITIES (London)

	Oct 13	Prev
Silver (spot fixing)	470.25p	474.05p
Copper (cash)	£2,200.00	£2,202.50
Coffee (Jan)	£1,369.00	£1,382.00
Oil (Brent Blend)	$18.55	$18.70

GOLD ($/oz)

	Oct 13	Prev
London	$459.75	$462.00
Zürich	$459.65	$462.00
Paris (fixing)	$459.41	$461.78
Luxembourg	$460.00	$461.75
New York (Dec)	$464.70*	$468.70

CURRENCIES (London)

	US DOLLAR Oct 13	US DOLLAR Previous	STERLING Oct 13	STERLING Previous
$	—	—	1.6470	1.6535
DM	1.8210	1.8130	3.00	3.00
Yen	143.70	143.25	236.5	236.75
FFr	6.065	6.0425	9.99	9.9925
SFr	1.5090	1.5025	2.485	2.485
Fl	2.0480	2.0400	3.3725	3.3725
Lira	1,314	1,308	2,164	2,162.75
BFr	37.85	37.70	62.35	62.35
C$	1.3060	1.3040	2.1500	2.1550

INTEREST RATES

	Oct 13	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10⅛
SFr	4⅝	4⁷⁄₁₆
DM	4⅞	4¹⁵⁄₁₆
FFr	8⅝	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	7⅝	8⅛
6-month US$	9	9³⁄₁₆
US Fed Funds	7⅝*	7½
US3-month CDs	8.50*	8.725
US3-month T-bills	6.758*	6.57

FINANCIAL FUTURES

Oct 13	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	80-09	80-13	78-04	79-08
US Treasury Bills (IMM) $1m points of 100%				
Dec	92.38	92.43	92.34	92.34
Certificates of Deposit (IMM) $1m points of 100%				
Dec	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	90.92	90.95	90.88	90.92
20-year Notional Gilt £50,000 32nds of 100%				
Dec	114-13	114-23	113-12	114-04

US BONDS

Treasury

	October 13 Price	October 13 Yield	Prev Price	Prev Yield
8¾ 1989	97⅞	8.922	n/a	n/a
9⅛ 1994	96⁵⁄₃₂	9.768	n/a	n/a
8⅞ 1997	92⅛	9.908	n/a	n/a
8⅞ 2017	90	9.988	n/a	n/a

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	October 13 Return Index	October 13 Day's change	Yield	Day's change
1–30	163.17	+0.22	6.98	–0.03
1–10	154.63	+0.12	6.86	–0.03
1– 3	144.03	+0.07	6.87	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.66	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	October 13 Price	October 13 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	(uch)	(uch)	90.50	7.85
SCBT South Central 10⅞ Jan 1993	(uch)	(uch)	101.00	10.82
Phibro Sal 8 April 1996	(uch)	(uch)	84.125	10.90
TRW 8⅞ March 1996	(uch)	(uch)	89.12	10.78
Arco 9⅞ March 2016	(uch)	(uch)	90.25	11.00
General Motors 8⅞ April 2016	(uch)	(uch)	75.00	11.00
Citicorp 9⅞ March 2016	(uch)	(uch)	82.25	11.50

Source: Salomon Brothers

* Latest available figures